

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 20-F**

- ☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**
- OR**
- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For fiscal year ended December 31, 2017**

- OR**
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_ to \_\_\_\_**

- OR**
- ☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**Date of event requiring this shell company report:**

Commission file number: 001-35124

**LONCOR RESOURCES INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Ontario**

(State or Other Jurisdiction of Incorporation of Organization)

1 First Canadian Place, 100 King Street West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada  
(Address of Principal Executive Offices, including Zip Code)

Contact: Geoffrey G. Farr; E-mail: [gfarr@loncor.com](mailto:gfarr@loncor.com); Address: 1 First Canadian Place, 100 King Street West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada  
(Name, Telephone, E-mail and/or Facsimile Number and Address of Company Contact Person)

Securities registered pursuant to Section 12(b) of the Act:  
None

Securities registered pursuant to Section 12(g) of the Act:  
Common Shares

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.  
None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2017:

158,689,732 common shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☐

Non-accelerated filer ☒

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards<sup>†</sup> provided pursuant to Section 13(a) of the Exchange Act.

<sup>†</sup> The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ☐

International Financial Reporting  
Standards as issued by the International  
Accounting Standards Board

Other ☐

☒

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

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## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Form 20-F and the documents incorporated by reference herein contains "forward-looking statements" within the meaning of the United States *Private Securities Litigation Reform Act* of 1995 and "forward-looking information" within the meaning of Canadian provincial securities laws (such forward-looking statements and forward-looking information are referred to herein as "forward-looking statements"). Forward-looking statements are necessarily based on a number of estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements, other than statements which are reporting results as well as statements of historical fact, that address activities, events or developments that Loncor Resources Inc. (the "**Company**" or "**Loncor**") believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding mineral resource estimates, drilling and other exploration results, potential mineralization, potential mineral resources, and the Company's exploration and development plans and objectives with respect to its projects) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual events or results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual events or results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainties relating to the availability and costs of financing in the future; risks related to the exploration stage of the Company's properties; the possibility that future exploration results will not be consistent with the Company's expectations; failure to establish estimated mineral resources or mineral reserves; fluctuations in gold prices and currency exchange rates; inflation; rules adopted by the U.S. Securities and Exchange Commission that may affect mining operations in the Democratic Republic of the Congo; gold recoveries being less than those indicated by the metallurgical testwork carried out to date (there can be no assurance that gold recoveries in small scale laboratory tests will be duplicated in large tests under on-site conditions or during production); changes in equity markets; political developments in the Democratic Republic of the Congo; lack of infrastructure; failure to procure or maintain, or delays in procuring or maintaining, permits and approvals; lack of availability at a reasonable cost or at all, of plants, equipment or labour; inability to attract and retain key management and personnel; changes to regulations or policies affecting the Company's activities; the uncertainties involved in interpreting drilling results and other geological data; the Company's history of losses and expectation of future losses; the Company's ability to acquire additional commercially mineable mineral rights; risks related to the integration of any new acquisitions into the Company's existing operations; increased competition in the mining industry; and the other risks disclosed under the heading "Risk Factors" in this Form 20-F.

Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

The mineral resource figures referred to in this Form 20-F are estimates and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that the resource estimates included in this Form 20-F are well established, by their nature, resource estimates are imprecise and depend, to a certain extent, upon statistical inferences which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company.

Due to the uncertainty that may be attached to inferred mineral resources, it cannot be assumed that all or any part of an inferred mineral resource will be upgraded to an indicated or measured mineral resource as a result of continued exploration. Confidence in the estimate is insufficient to allow meaningful application of the technical and economic parameters to enable an evaluation of economic viability sufficient for public disclosure, except in certain limited circumstances. Inferred mineral resources are excluded from estimates forming the basis of a feasibility study.

Statements concerning actual mineral resource estimates are also deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the relevant project or property is developed. Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that mineral resources can be upgraded to mineral reserves through continued exploration.

### **CAUTIONARY NOTE TO U.S. INVESTORS REGARDING RESOURCE ESTIMATES**

Resource estimates in this Form 20-F, including the documents incorporated by reference herein, have been prepared in accordance with the requirements of securities laws in effect in Canada, which differ from the requirements of U.S. securities laws. Without limiting the foregoing, this Form 20-F, including the documents incorporated by reference herein, uses the terms "indicated" and "inferred" resources. U.S. investors are advised that, while such terms are recognized and required by Canadian securities laws, the U.S. Securities and Exchange Commission (the "**SEC**") does not recognize them. 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. U.S. investors are cautioned not to assume that all or any part of indicated resources will ever be converted into reserves. Further, "inferred resources" have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the "inferred resources" will ever be upgraded to a higher category. Therefore, U.S. investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report mineral deposits that do not constitute "reserves" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this Form 20-F or in the documents incorporated by reference, may not be comparable to information made public by U.S. companies subject to the reporting and disclosure requirements of the SEC.

National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") is a rule of the Canadian Securities Administrators which establishes standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in or incorporated by reference in this Form 20-F have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. These standards differ significantly from the requirements of the SEC, and resource information contained herein and incorporated by reference herein may not be comparable to similar information disclosed by U.S. companies.

### **CURRENCY**

Unless stated otherwise or the context otherwise requires, all references in this Form 20-F to "US\$" are to United States dollars and all references in this Form 20-F to "Cdn\$" are to Canadian dollars.

## PART 1

### Item 1. Identity of Directors, Senior Management and Advisors

This Form 20-F is being filed as an annual report under the United States *Securities Exchange Act of 1934*, as amended, (the "**U.S. Exchange Act**") and, as such, there is no requirement to provide any information under this item.

### Item 2. Offer Statistics and Expected Timetable

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

### Item 3. Key Information

#### A. Selected Financial Data

The selected consolidated financial information set forth below for each of the five years ended December 31, 2017, 2016, 2015, 2014 and 2013, which is expressed in United States dollars (the Company prepares its financial statements in United States dollars), has been derived from the Company's audited consolidated financial statements as at and for the financial years ended December 31, 2017, 2016, 2015, 2014 and 2013. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board, which differ in certain respects from the principles the Company would have followed had its consolidated financial statements been prepared in accordance with generally accepted accounting principles in the United States. The selected consolidated financial information should be read in conjunction with the discussion in Item 5 of this Form 20-F and the consolidated financial statements and related notes thereto filed as part of this Form 20-F under Item 18. Historical results from any prior period are not necessarily indicative of results to be expected for any future period.

	(in \$000 except share data)				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenue	\$-	\$-	\$-	\$-	\$-
Net income (loss) from operations	(61)	(498)	(2,417)	(2,903)	(28,038)
Net income (loss) for the year	(61)	(498)	(2,417)	(2,903)	(27,224)
Basic and diluted net income (loss) per share	(0.00)	(0.00)	(0.03)	(0.04)	(0.37)
Current assets	268	188	131	168	844
Exploration and evaluation assets	27,634	27,858	27,836	29,591	30,893
Total assets	27,918	28,081	28,049	29,951	32,182
Total liabilities	1,062	1,424	1,758	1,769	1,203
Net assets	26,856	26,657	26,292	28,183	30,979
Share capital	77,287	77,049	76,241	75,715	75,715
Shareholders' equity	26,856	26,657	26,292	28,183	30,979
Weighted average common shares outstanding	158,075	142,124	82,573	73,440	73,440

## Exchange Rates

On March 23, 2018, the buying rate in New York City for cable transfers in Canadian dollars, as certified for customs purposes by the Federal Reserve Bank of New York, was US\$1.00 = Cdn\$1.2870. The following table sets forth, for each of the years or, as applicable, months indicated, additional information with respect to the noon buying rate for US\$1.00 in Canadian dollars and are based upon the rates quoted by the Federal Reserve Bank of New York.

Average <sup>(1)</sup>	Rate	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
		1.2971	1.3229	1.2906	1.1083	1.0347

(1) The average rate means the average of the exchange rates on the last day of each month during the year.

Rate	October 2017	November 2017	December 2017	January 2018	February 2018	March 2018 <sup>(1)</sup>
High	1.2894	1.2890	1.2900	1.2534	1.2806	1.3096
Low	1.2470	1.2693	1.2517	1.2293	1.2280	1.2822

(1) Provided for the period from March 1, 2018 to March 23, 2018.

## B. Capitalization and Indebtedness

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## C. Reason for the Offer and Use of Proceeds

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## D. Risk Factors

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Loncor and could cause the Company's operating and financial performance to differ materially from the estimates described in forward-looking statements relating to the Company. These include widespread risks associated with any form of business and specific risks associated with Loncor's business and its involvement in the gold exploration industry.

An investment in the Company's common shares is considered speculative and involves a high degree of risk due to, among other things, the nature of Loncor's business (which is the exploration of mineral properties), the present stage of its development and the location of Loncor's projects in the Democratic Republic of the Congo (the "**DRC**"). In addition to the other information presented in this Form 20-F, a prospective investor should carefully consider the risk factors set out below and the other information that Loncor files with the SEC and with Canadian securities regulators before investing in the Company's common shares. The Company has identified the following non-exhaustive list of inherent risks and uncertainties that it considers to be relevant to its operations and business plans. Such risk factors could materially affect the Company's future operating results and could cause actual events to differ materially from those described in forward-looking statements relating to the Company. As well, additional risks



that the Company is unaware of or that are currently believed to be immaterial may become important factors that affect the Company's business.

**The Company has not generated revenues from operations, does not have a history of mining operations, and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future.**

The Company has not generated revenues from operations and there is no assurance that it will produce revenue, operate profitably or provide a return on investment in the future. The Company has only incurred operating losses, and the development of its projects is at an early stage. The Company produced a loss of US\$61,287 for the year ended December 31, 2017, and, as of that date, the Company's deficit was US\$58,650,391 and the Company had a working capital deficit of US\$726,550 which casts substantial doubt on the Company's ability to continue as a going concern. The Company is subject to the risks and challenges experienced by other companies at a comparable stage. These risks include, but are not limited to, continuing losses and the ability to secure adequate financing or to complete corporate transactions to meet the minimum capital required to successfully complete its projects and fund other operating expenses.

The Company's ability to continue as a going concern is dependent upon its ability to obtain the necessary financing to meet its obligations and repay liabilities arising from normal business operations when they come due. Development of the Company's current projects to the production stage will require significant financing. Given the current economic climate, the ability to raise funds may prove difficult. The Company has no revenues and is wholly reliant upon external financing to fund such plans. There can be no assurance that such financing will be available to the Company or, if it is, that it will be offered on acceptable terms. If additional financing is raised through the issuance of equity or convertible debt securities of the Company, the interests of the Company's shareholders in the net assets of the Company may be diluted. Any failure of the Company to obtain required financing on acceptable terms could have a material adverse effect on the Company's financial condition, results of operations, liquidity, and its ability to continue as a going concern, and may require the Company to cancel or postpone planned capital investments.

The auditor's report issued in respect of the Company's 2017 annual consolidated financial statements contains the following paragraph:

*"Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements that indicates the Company produced a net loss of \$61,287 for the year ended December 31, 2017 and as of that date the Company had a working capital deficit of \$726,550. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty."*

**The assets and operations of Loncor are subject to political, economic and other uncertainties as a result of being located in the DRC.**

Loncor's projects are located in the DRC. The assets and operations of the Company are therefore subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, expropriation, nationalization, renegotiation or nullification of existing licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign

contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political climate in the DRC may adversely affect Loncor's operations or profitability. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights, could result in loss, reduction or expropriation of entitlements. In addition, in the event of a dispute arising from operations in the DRC, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations. Should the Company's rights or its titles not be honoured or become unenforceable for any reason, or if any material term of these agreements is arbitrarily changed by the government of the DRC, the Company's business, financial condition and prospects will be materially adversely affected.

Some or all of the Company's properties are located in regions where political instability and violence is ongoing. Some or all of the Company's properties are inhabited by artisanal miners. These conditions may interfere with work on the Company's properties and present a potential security threat to the Company's employees. There is a risk that activities at the Company's properties may be delayed or interfered with, due to the conditions of political instability, violence, hostage taking or the inhabitation of the properties by artisanal miners. The Company uses its best efforts to maintain good relations with the local communities in order to minimize such risks.

The DRC is a developing nation emerging from a period of civil war and conflict. Physical and institutional infrastructure throughout the DRC is in a debilitated condition. The DRC is in transition from a largely state controlled economy to one based on free market principles, and from a non-democratic political system with a centralized ethnic power base, to one based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for Loncor and its operations. The DRC continues to experience instability in parts of the country due to certain militia and criminal elements. While the government and United Nations forces are working to support the extension of central government authority throughout the country, there can be no assurance that such efforts will be successful.

No assurance can be given that the Company will be able to maintain effective security in connection with its assets or personnel in the DRC where civil war and conflict have disrupted exploration and mining activities in the past and may affect the Company's operations or plans in the future.

HIV/AIDS, malaria and other diseases represent a serious threat to maintaining a skilled workforce in the mining industry in the DRC. HIV/AIDS is a major healthcare challenge faced by the Company's operations in the country. There can be no assurance that the Company will not lose members of its workforce or workforce man-hours or incur increased medical costs, which may have a material adverse effect on the Company's operations.

The DRC has historically experienced relatively high rates of inflation.

**The Company's properties are in the exploration stage, and there can be no assurance that the Company's exploration activities will result in discoveries that are commercially viable.**

The Company's properties are in the exploration stage. The future development of properties found to be economically feasible will require board approval, the construction and operation of mines, processing plants and related infrastructure. As a result, Loncor is subject to all of the risks associated with establishing new mining operations and business enterprises including: the timing and cost, which can be considerable, of the construction of mining and processing facilities; the availability and costs of skilled labour and mining equipment; the availability and costs of appropriate smelting and/or refining arrangements; the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and, the availability of funds to finance construction and development activities. The costs, timing and complexities of mine construction and development are increased by the remote location of the Company's properties. It is common in new mining operations to experience unexpected problems and delays during construction, development, and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations or that the Company will successfully establish mining operations or profitably produce gold at any of its properties.

**The Company may be adversely affected by fluctuations in gold prices.**

The future price of gold will significantly affect the development of Loncor's projects. Gold prices are subject to significant fluctuation and are affected by a number of factors which are beyond Loncor's control. Such factors include, but are not limited to, interest rates, inflation or deflation, fluctuation in the value of the United States dollar and foreign currencies, global and regional supply and demand, and the political and economic conditions of major gold-producing countries throughout the world. The price of gold has fluctuated widely in recent years, and future price declines could cause development of and commercial production from Loncor's mineral interests to be impracticable. If the price of gold decreases, projected cash flow from planned mining operations may not be sufficient to justify ongoing operations and Loncor could be forced to discontinue development and sell its projects. Future production from Loncor's projects is dependent on gold prices that are adequate to make these projects economic.

**The Company's activities are subject to various laws and government approvals and no assurance can be given that the Company will be successful in obtaining or maintaining such approvals or that it will successfully comply with all applicable laws.**

Loncor's mineral exploration activities are subject to various laws governing prospecting, mining, 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 Loncor's exploration activities are 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 development.

Many of Loncor's mineral rights and interests are subject to government approvals, licenses and permits. Such approvals, licenses and permits are, as a practical matter, subject to the discretion of the DRC government. No assurance can be given that Loncor will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are not maintained, Loncor may be delayed, curtailed or prohibited from continuing or proceeding with planned exploration 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 delayed or curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations or more stringent implementation thereof could have a substantial adverse impact on Loncor and cause increases in exploration expenses, capital expenditures or require abandonment or delays in development of mineral interests.

**Exploration, development and mining involve a high degree of risk.**

All of the Company's properties are in the exploration stage only. The exploration for and development of mineral deposits involves significant risks that even a combination of careful evaluation, experience and knowledge may not eliminate. While the discovery of an ore body may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenditures may be required to locate and establish mineral reserves, to develop metallurgical processes and to construct mining and processing facilities at a particular site. Whether a mineral deposit, once discovered, will be commercially viable depends on a number of factors, some of which are: the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal 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 Loncor not receiving an adequate return on invested capital.

There is no certainty that expenditures made towards the search for and evaluation of mineral deposits will result in discoveries that are commercially viable. In addition, assuming discovery of a commercial ore-body, depending on the type of mining operation involved, several years can elapse from the initial phase of drilling until commercial operations are commenced.

Mining operations generally involve a high degree of risk. Such operations are subject to all the hazards and risks normally encountered in the exploration for, and development and production of gold and other precious or base metals, including unusual and unexpected geologic formations, seismic activity, rock bursts, fires, cave-ins, flooding and other conditions involved in the drilling and removal of material as well as industrial accidents, labour force disruptions, fall of ground accidents in underground operations, unanticipated increases in gold lock-up and inventory levels at heap-leach operations and force majeure factors, any of which could result in damage to, or destruction of, mines and other producing facilities, damage to person or property, environmental damage, delays, increased production costs, monetary losses and possible legal liability. Milling operations are subject to hazards such as equipment failure or failure of mining pit slopes and retaining dams around tailings disposal areas, which may result in environmental pollution and consequent liability. The Company may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, is not generally available to the Company or to other companies within the mining industry. The Company may suffer a material adverse effect on its business if it incurs losses related to any significant events that are not covered by insurance policies.

***There can be no assurance that an active market for the Company's securities will be sustained.***

The market price of the Company's securities may fluctuate significantly based on a number of factors, some of which are unrelated to the financial performance or prospects of the Company. These factors include macroeconomic developments in North America and globally, market perceptions of the attractiveness of particular industries, short-term changes in commodity prices, other precious metal prices, the attractiveness of alternative investments, currency exchange fluctuation, the political environment in the DRC and the Company's financial condition or results of operations as reflected in its consolidated financial statements. Other factors unrelated to the performance of the Company that may have an effect on the price of the securities of the Company include the following: the extent of analytical coverage available to investors concerning the business of the Company may be limited if investment banks with research capabilities do not follow the Company's securities; lessening in trading volume and general market interest in the Company's securities may affect an investor's ability to trade significant numbers of securities of the Company; the size of the Company's public float may limit the ability of some institutions to invest in the Company's securities; the Company's operating performance and the performance of competitors and other similar companies; the public's reaction to the Company's press releases, other public announcements and the Company's filings with the various securities regulatory authorities; changes in estimates or recommendations by research analysts who track the Company's securities or the shares of other companies in the resource sector; the arrival or departure of key personnel; acquisitions, strategic alliances or joint ventures involving the Company or its competitors; the factors listed in this Form 20-F under the heading "Cautionary Statement Regarding Forward-Looking Statements"; and a substantial decline in the price of the securities of the Company that persists for a significant period of time could cause the Company's securities to be delisted from any exchange on which they are listed at that time, further reducing market liquidity. If there is no active market for the securities of the Company, the liquidity of an investor's investment may be limited and the price of the securities of the Company may decline. If such a market does not develop, investors may lose their entire investment in the Company's securities.

***The Company expects that it will be considered a passive foreign investment company or "PFIC".***

Holders of common shares of the Company that are U.S. taxpayers should be aware that, due to the nature of the Company's assets and the income that it expects to generate, the Company expects to be a "passive foreign investment company" ("PFIC") for the current year, and may be a PFIC in subsequent taxable years. Whether the Company will be a PFIC for the current tax year or future tax years will depend on the Company's assets and income over the course of each such taxable year and, as a result, cannot be predicted with certainty as of the date of this Form 20-F. Accordingly, there can be no assurance that the IRS will not challenge the determination made by the Company concerning its PFIC status for any tax year. U.S. federal income tax laws contain rules which result in materially adverse tax consequences to U.S. taxpayers that own shares of a corporation which has been classified as a PFIC during any taxable year of such holder's holding period. A U.S. taxpayer who holds stock in a foreign corporation during any year in which such corporation qualifies as a PFIC may mitigate such negative tax consequences by making certain U.S. federal income tax elections, which are subject to numerous restrictions and limitations. Holders of the Company's common shares are urged to consult their own tax advisors regarding the acquisition, ownership, and disposition of the Company's common shares. This paragraph is only a brief summary of the PFIC rules, and is qualified in its entirety by the section below entitled "Certain United States Federal Income Tax Considerations".

***The Company has a history of losses and may never achieve revenues or profitability.***

The Company has incurred losses from operations since it became a mineral exploration company in November 2008 and the Company expects to incur losses from operations for the foreseeable future. The

Company had an accumulated deficit of US\$58,650,391 as of December 31, 2017. The losses do not include capitalized mineral property exploration costs. The Company expects to continue to incur losses unless and until such time as one or more of its properties enter into commercial production and generate sufficient revenues to fund continuing operations. The development of the Company's properties will require the commitment of substantial financial resources. The amount and timing of expenditures will depend on a number of factors, including the progress of ongoing exploration and development, the results of consultants' analysis and recommendations, the rate at which operating losses are incurred, and the Company's acquisition of additional properties, some of which are beyond the Company's control. There can be no assurance that the Company will ever achieve profitability.

**In order to develop any of its projects the Company will need to establish the facilities and material necessary to support operations in the remote locations in which they are situated, which lack basic infrastructure.**

The Company's projects are located in remote areas of the DRC, which lack basic infrastructure, including sources of power, water, housing, food and transport. In order to develop any of its projects Loncor will need to establish the facilities and material necessary to support operations in the remote locations in which they are situated. The remoteness of each project will affect the potential viability of mining operations, as Loncor will also need to establish substantially greater sources of power, water, physical plant and transport infrastructure than are currently present in the area. The transportation of equipment and supplies into the DRC and the transportation of resources out of the DRC may also be subject to delays that adversely affect the ability of the Company to proceed with its mineral projects in the country in a timely manner. Shortages of the supply of diesel, mechanical parts and other items required for the Company's operations could have an adverse effect on the Company's business, operating results and financial condition. The lack of availability of such sources may adversely affect mining feasibility and will, in any event, require Loncor to arrange significant financing, locate adequate supplies and obtain necessary approvals from national, provincial and regional governments, none of which can be assured. The Company's interests in the DRC are accessed over lands that may also be subject to the interests of third parties which may result in further delays and disputes in the carrying out of the Company's operational activities.

**There is uncertainty in the estimation of mineral resources.**

The mineral resource figures referred to in this Form 20-F and in the Company's filings with the SEC and applicable Canadian securities regulatory authorities, press releases and other public statements that may be made from time to time are estimates. These estimates are imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. There can be no assurance that these estimates will be accurate or that this mineralization could be mined or processed profitably.

The Company has not commenced commercial production on any of its properties, and has not defined or delineated any proven or probable reserves on any of its properties. Mineralization estimates for the Company'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.

The resource estimates referred to in this Form 20-F have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in the market price for gold may render portions of the Company's mineralization uneconomic and result in reduced reported mineralization. Any material reductions in estimates of mineralization, or of the

Company's ability to extract this mineralization, could have a material adverse effect on the Company's results of operations or financial condition.

The Company has not established the presence of any proven or probable reserves at any of its properties. There can be no assurance that subsequent testing or future studies will establish proven and probable reserves on such properties. The failure to establish proven and probable reserves on such properties could severely restrict the Company's ability to successfully implement its strategies for long-term growth.

***There is uncertainty relating to inferred mineral resources.***

There is a risk that the inferred mineral resources referred to in this Form 20-F cannot be converted into mineral reserves as the ability to assess geological continuity is not sufficient to demonstrate economic viability. Due to the uncertainty that may attach to inferred mineral resources, there is no assurance that inferred mineral resources will be upgraded to resources with sufficient geological continuity to constitute proven and probable mineral reserves as a result of continued exploration.

***The Company is exposed to a heightened degree of risk due to the lack of property diversification.***

The Ngayu and North Kivu projects account for all of the Company's mineral properties. Any adverse development affecting the progress of either of these projects may have a material adverse effect on the Company's financial performance and results of operations.

***Negative market perception of junior mineral exploration companies could adversely affect the Company.***

Market perception of junior mineral exploration companies such as the Company may shift such that these companies are viewed less favourably. This factor could impact the value of investors' holdings and the ability of the Company to raise further funds, which could have a material adverse effect on the Company's business, financial condition and prospects.

***The SEC has adopted rules that may affect mining operations in the DRC.***

*The Company's business is subject to evolving corporate governance and public disclosure regulations that have increased both the Company's compliance costs and the risk of noncompliance, which could have an adverse effect on the Company's stock price.*

The Company is subject to changing rules and regulations promulgated by a number of United States and Canadian governmental and self-regulated organizations, including the SEC, the Canadian Securities Administrators, the Toronto Stock Exchange, and the International Accounting Standards Board. These rules and regulations continue to evolve in scope and complexity and many new requirements have been created in response to laws enacted by the United States Congress, making compliance more difficult and uncertain. For example, on July 21, 2010, the United States Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, pursuant to which the SEC adopted rules which require a company filing reports with the SEC to disclose on an annual basis whether certain "conflict minerals" necessary to the functionality or production of a product manufactured by such company originated in the DRC or any adjoining country. The Company currently holds properties located in the DRC. It is possible that the new SEC rules regarding conflict minerals could adversely affect the value of the minerals mined in the DRC, which may impact the value of the Company's interests in those properties. The Company's efforts to comply with the Dodd-Frank Act, the rules and regulations promulgated thereunder, and other new rules and regulations have resulted in, and are likely to continue to result in, increased general and

administration expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

**The Company is not insured to cover potential risks.**

The Company currently does not have insurance to cover potential risks associated with its operations, including industrial accidents, damages to equipment and facilities, labour disputes, pollution, unusual or unexpected geological conditions, rock bursts, ground or slope failures, cave-ins, fires, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods, earthquakes and other environmental occurrences. Losses from these events may cause Loncor to incur significant costs that could have a material adverse effect upon its financial performance and results of operations.

**The Company's operations may be adversely affected by environmental hazards on the properties and related environmental regulations.**

All phases of Loncor's operations are subject to environmental regulation. 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. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Loncor's operations. Environmental hazards may exist on the properties on which Loncor holds interests which are unknown to Loncor at present and which have been caused by previous owners or operators of the properties. Reclamation costs are uncertain and planned expenditures may differ from the actual expenditures required.

**The Company is a foreign corporation and all of the Company's directors and officers except one director are outside the United States, which makes enforcement of civil liabilities difficult.**

The Company is organized under the laws of the Province of Ontario in Canada, and its principal executive office is located in Toronto, Canada. All of the Company's directors and officers except one director reside outside of the United States, and all or a substantial portion of their assets, and all or a substantial portion of the Company's assets, are located outside of the United States. As a result, it may be difficult for investors in the United States or otherwise outside of Canada to bring an action against directors, officers or experts who are not resident in the United States or in other jurisdictions outside Canada. It may also be difficult for an investor to enforce a judgment obtained in a United States court or a court of another jurisdiction of residence predicated upon the civil liability provisions of federal securities laws or other laws of the United States or any state thereof or the equivalent laws of other jurisdictions outside Canada against those persons or the Company.

**The Company's business depends on its ability to identify and acquire commercially mineable mineral rights, and there can be no assurances that it will be successful in such efforts.**

Most exploration projects do not result in the discovery of commercially mineable ore deposits and no assurance can be given that any anticipated level of recovery of ore reserves will be realized or that any identified mineral deposit will ever qualify as a commercially mineable (or viable) ore body which can be legally and economically exploited. Estimates of reserves, resources, mineral deposits and production costs can also be affected by such factors as environmental permitting regulations and requirements,



weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. Material changes in ore reserves, grades, stripping ratios or recovery rates may affect the economic viability of any project.

Loncor's future growth and productivity will depend, in part, on its ability to identify and acquire additional commercially mineable mineral rights, and on the costs and results of continued exploration and development programs. Mineral exploration is highly speculative in nature and is frequently non-productive. Substantial expenditures are required to: establish ore reserves through drilling and metallurgical and other testing techniques; determine metal content and metallurgical recovery processes to extract metal from the ore; and construct, renovate or expand mining and processing facilities.

In addition, if the Company discovers ore, it would take several years from the initial phases of exploration until production is possible. During this time, the economic feasibility of production may change. As a result of these uncertainties, there can be no assurance that the Company will successfully acquire additional commercially mineable (or viable) mineral rights.

**Litigation may adversely affect the Company's financial position, results of operations or the Company's project development operations.**

The Company may from time to time be involved in various legal proceedings. While the Company believes it is unlikely that the final outcome of any such proceedings will have a material adverse effect on the Company's financial position or results of operation, defence and settlement costs can be substantial, even with respect to claims that have no merit. Due to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal matter will not have a material adverse effect on the Company's future cash flow, results of operations or financial condition.

**Future hedging activities may result in selling products at a price lower than could have otherwise been received.**

The Company has not entered into forward contracts or other derivative instruments to sell gold that it might produce in the future. Although the Company has no near term plans to enter such transactions, it may do so in the future if required for project financing. Forward contracts obligate the holder to sell hedged production at a price set when the holder enters into the contract, regardless of what the price is when the product is actually mined. Accordingly, there is a risk that the price of the product is higher at the time it is mined than when the Company entered into the contracts, so that the product must be sold at a price lower than could have been received if the contract was not entered. There is also the risk that the Company may have insufficient gold production to deliver into forward sales positions. The Company may enter into option contracts for gold to mitigate the effects of such hedging.

**Increased sales of the Company's common shares by shareholders could lower the trading price of the shares.**

Sales of a large number of the Company's common shares in the public markets, or the potential for such sales, could decrease the trading price of such shares and could impair Loncor's ability to raise capital through future sales of common shares.

**Fluctuations in currency could have a material impact on the Company's financial statements.**

The Company uses the United States dollar as its functional currency. Fluctuations in the value of the United States dollar relative to other currencies (including the Canadian dollar) could have a material impact on the Company's consolidated financial statements by creating gains or losses. No currency hedge policies are in place or are presently contemplated.

**The loss of key management personnel or the inability to recruit additional qualified personnel may adversely affect the Company's business.**

The success of the Company depends on the good faith, experience and judgment of the Company's management and advisors in supervising and providing for the effective management of the business and the operations of the Company. The Company is dependent on a small number of key personnel, the loss of any one of whom could have an adverse effect on the Company. The Company currently does not have key person insurance on these individuals. The Company may need to recruit additional qualified personnel to supplement existing management and there is no assurance that the Company will be able to attract such personnel.

**The Company may not be able to compete with current and potential exploration companies, some of whom have greater resources and technical facilities.**

The natural resource industry is intensely competitive in all of its phases. Significant competition exists for the acquisition of properties producing, or capable of producing, gold or other metals. The Company competes with many companies possessing greater financial resources and technical facilities than itself. The Company may also encounter increasing competition from other mining companies in its efforts to hire experienced mining professionals. As well, there is competition for exploration resources at all levels, particularly affecting the availability of manpower, drill rigs and helicopters. Increased competition could also adversely affect the Company's ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

**Certain directors and officers may be in a position of conflict of interest with respect to the Company due to their relationship with other resource companies.**

The directors and officers of the Company also serve as directors and/or officers of other companies involved in the exploration and development of natural resource properties. As a result, conflicts may arise between the obligations of these individuals to the Company and to such other companies.

**The Company has never paid and has no plans to pay dividends.**

The Company has not paid out any cash dividends to date and has no plans to do so in the immediate future. As a result, an investor's return on investment in the Company's common shares will be solely determined by his or her ability to sell such shares in the secondary market.

**Trading of the Company's common shares in the United States may be effected by its voluntary delisting from the NYSE American.**

The Company's common shares are traded exclusively in the United States on the OTC Pink tier of the OTC Link. The Company's common shares previously traded on the NYSE American, and the OTC Pink does not require the same level of disclosure and compliance requirements compared to the NYSE American. The Company is still, however, required to meet its SEC filing requirements and to meet its Toronto Stock Exchange and Canadian filing, compliance and disclosure requirements. As the

Company's common shares are no longer listed on the NYSE American, shareholders will not be able to trade its common shares on the NYSE American and certain federal and state securities law exemptions for its common shares would no longer be available. Consequently, the trading market for the Company's securities in the United States will be limited.

#### **Item 4. Information on the Company**

##### **A. History and Development of the Company**

The Company is a corporation which was formed under the Ontario *Business Corporations Act* on August 24, 1993. The head office and registered office of the Company is located at 1 First Canadian Place, Suite 7070, 100 King Street West, Toronto, Ontario, M5X 1E3, Canada. The telephone number of such office is (416) 366-2221.

On November 28, 2008, the Company completed the acquisition (the "**Acquisition**") of all of the outstanding shares of the private company, Loncor Resources Inc. ("**Old Loncor**"). Also on November 28, 2008, immediately following this acquisition, the Company amalgamated with Old Loncor and, pursuant to the amalgamation, changed its name from Nevada Bob's International Inc. to Loncor Resources Inc. As a result of this acquisition, the business of the Company is the exploration of mineral properties in the DRC. Prior to this acquisition, the Company was in the business of licensing the right to use (a) the Nevada Bob's trademarks in connection with operating retail golf stores internationally, excluding the United Kingdom, Europe, Canada and the United States, and (b) certain other golf-related, non-Nevada Bob's trademarks internationally, including the United Kingdom, Europe, Canada and the United States.

In September 2009, the Company completed a non-brokered private placement of 3,000,000 common shares at a price of Cdn\$0.75 per share for proceeds to the Company of Cdn\$2,250,000.

In October 2009, the Company announced the appointment of Peter Cowley as President and Chief Executive Officer of the Company. Mr. Cowley was also appointed to the board of directors of the Company. Kevin Baker stepped down as President and Chief Executive Officer, but remained a non-executive director of the Company until March 2014. Arnold Kondrat was appointed Executive Vice President of the Company and relinquished the title of Chairman of the Board of the Company. In connection with Mr. Cowley's appointment as a director of the Company, Geoffrey Farr stepped down as a director of the Company but remains Corporate Secretary of the Company.

In February 2010, the Company completed a brokered private placement financing involving the issuance of 8,166,500 units of the Company at a price of Cdn\$1.25 per unit for aggregate gross proceeds of Cdn\$10,208,125. Each such unit was comprised of one common share of the Company and one-half of one common share purchase warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$1.45 for a period of 24 months. GMP Securities L.P. as lead agent, together with CI Capital Markets Inc. and Salman Partners Inc., acted as the Company's agents in connection with this financing.

Also in February 2010, the Company completed a non-brokered private placement financing involving the issuance to an affiliate ("**Newmont**") of Newmont Mining Corporation of 4,000,000 units of the Company at a price of Cdn\$1.25 per unit for aggregate gross proceeds of Cdn\$5,000,000. The units issued under this financing had the same terms as the units issued under the February 2010 brokered private placement. In December 2010, Newmont exercised the 2,000,000 warrants that it had acquired under the said February 2010 non-brokered private placement, resulting in the issuance by the Company

to Newmont of 2,000,000 common shares of the Company at a price of Cdn\$1.45 per share for gross proceeds to the Company of Cdn\$2,900,000.

The Company established the main Ngayu exploration camp in early 2010 at the Yindi prospect, located in the southwest corner of the Ngayu gold project area.

In June 2010, the Company announced initial assay results from the Makapela prospect at the Company's Ngayu gold project. A core drilling program at Makapela commenced in November 2010 with the objective of testing along strike and at depth the sub vertical, vein mineralized system being exploited by the artisanal miners at the Main, North and Sele Sele pits which returned significant results from channel sampling. Drill results at Makapela were announced by the Company via a number of press releases in 2011 and 2012.

Exploration at the Itali prospect at the Company's Ngayu gold project commenced during the third quarter of 2010. The Itali prospect is located about 10 kilometres south of Makapela. In January 2012, the Company announced the results of its first drill hole at the Itali prospect. Additional drill results at the Itali prospect were announced by the Company in October 2012.

In December 2010, the Company completed a non-brokered private placement with Newmont involving the issuance by the Company to Newmont of 2,000,000 units of the Company at a price of Cdn\$1.95 per unit for aggregate gross proceeds of Cdn\$3,900,000. Each such unit was comprised of one common share of the Company and one-half of one common share purchase warrant of the Company. Each full warrant was exercisable into one additional common share of the Company at a price of Cdn\$2.30 until December 2012 (these warrants expired in December 2012 without being exercised).

In February 2011, the Company and Newmont entered into a technology consultation services agreement pursuant to which Newmont agreed to make available to Loncor, at Loncor's reasonable request, exploration consultation services to assist Loncor in the exploration of Loncor's Ngayu gold project.

Also in February 2011, the Company completed concurrent brokered and non-brokered private placement equity financings. Pursuant to a "bought deal" private placement financing conducted by a syndicate of investment dealers, the Company issued 8,500,000 common shares of the Company at a price of Cdn\$2.35 per share, resulting in aggregate gross proceeds of Cdn\$19,975,000. The Company also issued, by way of non-brokered private placement, to Newmont, 1,700,000 common shares of the Company at a price of Cdn\$2.35 per share for aggregate proceeds of Cdn\$3,995,000.

In April 2011, the Company's common shares commenced trading on the NYSE American LLC (formerly called NYSE Amex LLC). The Company retained its primary listing on the TSX Venture Exchange.

In December 2011, the Company announced the results of the regional assessment of its Ngayu gold project. The targets were outlined by assessing the results of two regional BLEG (Bulk Leach Extractable Gold) geochemical surveys conducted during 2011 as part of the technology consultation services agreement between Loncor and Newmont. In accordance with this agreement, Loncor was able to utilize advanced exploration assessment techniques developed by Newmont. As part of this evaluation program, the BLEG results were assessed in conjunction with a detailed geophysical magnetic interpretation of the Ngayu Greenstone belt also undertaken by senior Newmont geophysicists to define the target areas. The initial BLEG survey commenced in March 2011 and comprised the collection of 418 stream sediment samples, at an average sample density of one sample per 10 square kilometres. A second round of infill BLEG sampling was undertaken in September 2011 consisting of 185 samples at an average sample density of one sample per four square kilometres. Samples were sent to Newmont's proprietary

geochemical laboratory in Perth, Australia for preparation and analysis. From these results, six high priority targets were delineated together with seven medium priority targets for follow up.

In January 2012, the Company announced initial bottle roll metallurgical testwork results for the Makapela prospect at the Company's Ngayu gold project. Bottle roll is a preliminary metallurgical test to determine how much and how easily gold may be liberated from an ore using cyanide.

In May 2012, the Company announced a maiden mineral resource estimate for the Company's Makapela prospect, of 4.10 million tonnes grading 7.59 g/t Au (using a 2.75 g/t Au cut-off) for an inferred mineral resource of 1.0 million ounces of gold. The Company also announced that this mineral resource was outlined down to a maximum vertical depth 500 metres below surface with gold mineralization open at depth.

In June 2012, the Company announced an exploration update on its regional target follow-up at its Ngayu gold project, reporting that initial groundwork on the priority regional targets has delineated significant mineralized gold trends at Nagasa (4.5 kilometres), Matete (2.0 kilometres) and Mondarabe (1.5 kilometres) in the Imva Fold area. The Company also reported that it has commenced a preliminary economic assessment of the Makapela prospect.

In October 2012, the Company completed two financings concurrently, raising total gross proceeds of Cdn\$14,799,750. The first financing involved the issuance of 9,245,000 common shares of the Company at a price of Cdn\$1.05 per share for aggregate gross proceeds of Cdn\$9,707,250. This offering was conducted by a syndicate of investment dealers and was made by way of a short form prospectus filed with securities regulatory authorities in all of the provinces of Canada (other than Québec). The said shares were also offered on a private placement basis in certain jurisdictions outside of Canada. The second financing involved a non-brokered private placement to Newmont of 4,850,000 common shares of the Company at a price of Cdn\$1.05 per share for aggregate gross proceeds of Cdn\$5,092,500. As of the date of this Form 20-F, Newmont holds 14,550,000 (representing 9.17%) of the outstanding common shares of the Company.

In April 2013, the Company announced updated mineral resource estimates for the Company's Makapela prospect, of an indicated mineral resource of 0.61 million ounces of gold (2.20 million tonnes grading at 8.66 g/t Au) and an inferred mineral resource of 0.55 million ounces of gold (3.22 million tonnes grading at 5.30 g/t Au).

In April 2013, the Company announced results of IP surveys at the Company's Nagasa prospect at the Ngayu project, which surveys identified three well-defined, open-ended anomalous zones. The Company had acquired IP equipment in January 2013 with the objectives of: (a) locating potentially mineralized zones in areas covered by transported overburden where soil geochemistry is problematic, such as at Nagasa, and (b) testing for "blind" ore bodies where mineralization does not reach surface.

The Company's common shares began trading on the Toronto Stock Exchange effective April 26, 2013 and were delisted from the TSX Venture Exchange at the same time.

In July 2013, the Company updated exploration activities at its Ngayu project including announcing drilling results. The Company also reported that, as a result of the sharp decrease in the gold price, the Company would be reducing its exploration effort and overhead costs until market conditions improve. The Company further reported that, in terms of the Makapela preliminary economic assessment, due to the sharply lower gold price, it was decided to not incur any further expenditure on the study until the gold market improves.

As a result of the sharp decline in gold prices in 2013 and the difficult financing prospects for gold exploration companies in general and the Company in particular, the Company substantially reduced exploration efforts at its projects in order to conserve cash. Since the end of September 2013, the Company undertook mainly assessment of exploration work undertaken earlier in 2013 at Ngayu and selecting prospects at Ngayu requiring further investigation. In addition, new historical data was obtained for the North Kivu project in order to select target areas for follow up.

In April 2014, Loncor voluntarily delisted from the NYSE American LLC.

In February 2015, Peter Cowley stepped down from his roles as President and Chief Executive Officer of the Company for personal reasons. Mr. Cowley agreed to provide advisory services to Loncor. Arnold T. Kondrat, Executive Vice President and a founding director of the Company, was appointed President and Chief Executive Officer of the Company.

In February 2015, the Company closed a non-brokered private placement of 8,000,000 common shares of the Company at a price of Cdn\$0.06 per share for gross proceeds of Cdn\$480,000. In March 2015, the Company closed a non-brokered private placement of 3,000,000 common shares of the Company at a price of Cdn\$0.06 per share for gross proceeds of Cdn\$180,000.

In January 2016, Loncor's subsidiary, Loncor Resources Congo SARL ("**Loncor Subco**"), entered into a joint venture agreement (the "**Agreement**") with Randgold Resources (DRC) Limited ("**Randgold**"). The Agreement provides for a joint venture (the "**Joint Venture**") between Loncor Subco and Randgold covering all of the exploration permit areas comprising Loncor's Ngayu project, other than certain parcels of land surrounding and including the Makapela and Yindi prospects which are retained by Loncor Subco and do not form part of the Joint Venture. Randgold will have certain preemptive rights over these two areas. Randgold will manage and fund all exploration of the permit areas until the completion of a prefeasibility study on any gold discovery meeting the investment criteria of Randgold. Once the Joint Venture has determined to move ahead with a full feasibility study, a special purpose vehicle ("**SPV**") would be created to hold the specific discovery areas. Subject to the DRC's free carried interest requirements, Randgold would retain 65% of the SPV with Loncor Subco holding the balance of 35%. Loncor Subco will be required, from that point forward, to fund its pro-rata share of the SPV in order to maintain its 35% interest or be diluted.

In February 2016, the Company closed a non-brokered private placement of 67,000,000 common shares of the Company at a price of Cdn\$0.015 per share for gross proceeds of Cdn\$1,005,000. Arnold T. Kondrat, Chief Executive Officer, President and a director of the Company, acquired 60,000,000 of the common shares issued under this private placement. Taking into account the acquisition of these shares, Mr. Kondrat currently owns an aggregate of 74,300,818 common shares, representing approximately 46.82% of the issued and outstanding common shares of the Company.

In April 2016, the Company announced that its joint venture partner, Randgold, will commence a regional helicopter-borne VTEM B-Field, Horizontal Magnetic Gradiometer geophysical survey (the "**JV Survey**") over Loncor's Ngayu project. The JV Survey flight path design was north-south orientated lines at 400 meter spacing for a total of approximately 10,000 line kilometres, of which 4,200 line kilometers would be flown over the Ngayu project.

In June 2016, the Company closed a non-brokered private placement of 1,750,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$210,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

In January 2017, the Company announced preliminary results of the JV Survey undertaken by Randgold under the Joint Venture. The JV Survey was performed by Geotech Airborne Limited.

In February 2017, the Company closed a non-brokered private placement of 4,000,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$480,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years. Also in February 2017, the Company closed a second non-brokered private placement of 1,500,000 units of the Company at a price of Cdn\$0.13 per unit for gross proceeds of Cdn\$195,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

In May 2017, the Company announced that exploration ground work had commenced on priority targets resulting from the JV Survey undertaken by Randgold under the Joint Venture.

## **B. Business Overview**

### **General**

Loncor is a Canadian gold exploration company focused on two projects in the DRC, the Ngayu and North Kivu projects. The Ngayu project comprises 12 exploration permits (which permits are held by the Company's wholly-owned DRC subsidiary) that cover large parts of the Ngayu Archaean greenstone belt in Tshopo province in the northeast portion of the DRC. The North Kivu project comprises 47 exploration permits owned or controlled by Loncor, covering an area of approximately 13,000 square kilometres in North Kivu province located west of the city of Butembo. Both projects have historic gold production. Additional information with respect to the Company's projects can be found below under "Loncor Mineral Properties".

### **The Loncor Foundation**

In early 2010, the Company established the Loncor Foundation, a registered charity in the DRC, funded by the Company with the goal of improving the quality of life and opportunities for communities near the Company's exploration projects. In meetings and discussions with community representatives, it was determined that the Loncor Foundation would focus primarily on health and education projects. Based on this advice, the Loncor Foundation initiated a number of community projects near the Yindi and Makapela prospects at the Ngayu project and the Manguredjipa prospect at the North Kivu project. These included the construction of a new primary school for 400 students at Yindi. The Loncor Foundation also donated text and exercise books for teachers and students in 2011 and 2012 and made a donation of 40 hospital beds to two medical clinics in the Yindi area. Loncor Foundation projects at Manguredjipa have included financial support for a community electrification project and the construction of six showers and latrines at the Manguredjipa General Hospital, as well as the donation of a motorbike for use by medical staff at the hospital.

The primary focus of the Loncor Foundation in 2011 and 2012 was the construction of the Bole Bole medical clinic at Makapela. Also in 2012, the Foundation initiated a program to fund the salaries of 12 teachers at the Yindi primary school, eliminating the need for parents to pay tuition costs and increasing enrollment at the school. During 2013, the Loncor Foundation repaired bridges on the road between Yindi and Makapela and continued to fund teachers' salaries at the Yindi primary school and partially

fund operations at the Bole Bole medical clinic. The Foundation's work was suspended in 2014 having regard to the Company's financial situation and the need to conserve funds.

### **Exploration Permits and Exploitation Permits under DRC Mining Law**

As described below under "Loncor's Mineral Properties", Loncor holds or controls a number of exploration permits covering ground in the DRC with respect to its exploration projects. Under DRC mining law, an exploration permit entitles the holder thereof to the exclusive right, within the perimeter over which it is granted and for the term of its validity, to carry out mineral exploration work for mineral substances, substances for which the licence is granted and associated substances if an extension of the permit is obtained. However, the holder of an exploration permit cannot commence work on the property without obtaining approval in advance of its mitigation and rehabilitation plan. An exploration permit also entitles its holder to the right to obtain an exploitation permit for all or part of the mineral substances and associated substances, if applicable, to which the exploration permit or any extension thereto applies if the holder discovers a deposit which can be economically exploited.

Under DRC mining law, an exploitation permit entitles the holder thereof to the exclusive right to carry out, within the perimeter over which it is granted and during its term of validity, exploration, development, construction and exploitation works in connection with the mineral substances for which the permit has been granted and associated substances if the holder has obtained an extension of the permit. In addition, an exploitation permit entitles the holder to: (a) enter the exploitation perimeter to conduct mining operations; (b) build the installations and infrastructures required for mining exploitation; (c) use the water and wood within the mining perimeter for the requirements of the mining exploitation, provided that the requirements set forth in the environmental impact study and the environmental management plan of the project are complied with; (d) use, transport and freely sell the holder's products originating from within the exploitation perimeter; (e) proceed with concentration, metallurgical or technical treatment operations, as well as the transformation of the mineral substances extracted from the exploitation perimeter; and (f) proceed to carry out works to extend the mine. Without an exploitation permit, the holder of an exploration permit may not conduct exploitation work on the perimeter covered by the exploration permit. So long as a perimeter is covered by an exploitation permit, no other application for a mining or quarry right for all or part of the same perimeter can be processed.

### **C. Organizational Structure**

Loncor does not have any material subsidiaries, other than Loncor Resources Congo SARL, which is wholly owned by Loncor and was incorporated in the DRC.

### **D. Property, Plants and Equipment**

The Company does not have any material tangible fixed assets.

### **Loncor's Mineral Properties**

Loncor's exploration activities have been focused on two projects in the DRC, the Ngayu and North Kivu projects. The following information relating to Loncor's projects is as of December 31, 2017 unless otherwise specified.



## Ngayu Project

Certain of the following disclosure relating to the Company's Ngayu gold project is derived from the independent technical report (the "**Ngayu Technical Report**") dated May 29, 2012 and entitled "Updated National Instrument 43-101 Independent Technical Report on the Ngayu Gold Project, Orientale Province, Democratic Republic of the Congo" prepared for Loncor by Venmyn Rand (Pty) Ltd ("**Venmyn**"). A copy of the Ngayu Technical Report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

### Property Description and Location

The Ngayu gold project is situated approximately 300 kilometres northeast of Kisangani and 70 kilometres to the west of the Okapi Game Reserve in the Tshopo Province (formerly, Orientale Province) of the DRC (see Figure 1 below). The project is located 470 kilometres and 400 kilometres north-northwest of Bukavu and Goma, respectively and is situated 130 kilometres northwest of Loncor's North Kivu project. It is made up of a total of 12 exploration permits (or "**PRs**") held by the Company through its wholly-owned DRC subsidiary, which cover an area of approximately 960 square kilometres.

### Legal Aspects and Tenure

The Ngayu project consists of 12 PRs numbered 1793 to 1806, excluding 1795 and 1799, held by the Company's wholly-owned DRC subsidiary. The Ngayu project PRs were renewed on February 9, 2017 and will expire on February 9, 2022. The PR details are shown in Table 1 below.

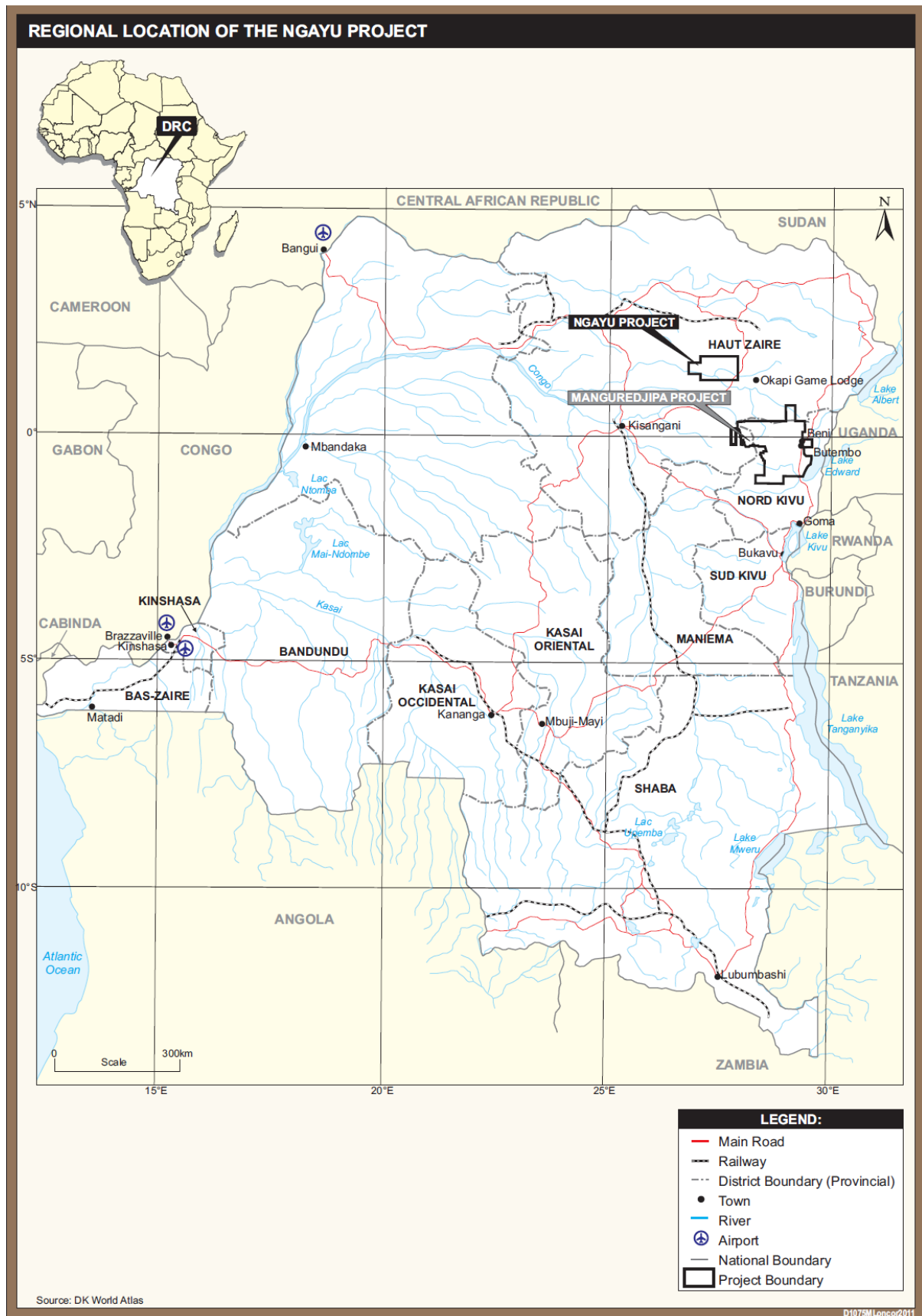
**Table 1: License Details for the PRs of the Ngayu Project**

PR NO.	LICENCE NO.	HOLDER	DATE OF ISSUE	DATE OF EXPIRY	MINERALS	AREA (km <sup>2</sup> )
1793	NO° CAMI/CR/3169/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au, Sn, Cu, Pt, Ag, W, Co, Nb and Ta	94.30005
1794	NO° CAMI/CR/3170/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au, Sn, Cu, Pt, Ag, W, Co, Nb and Ta	98.5478
1796	NO° CAMI/CR/3172/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	75.60995
1797	NO° CAMI/CR/3173/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	78.1586
1798	NO° CAMI/CR/3174/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	89.20275
1800	NO° CAMI/CR/3176/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	82.40635
1801	NO° CAMI/CR/3177/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	82.40635
1802	NO° CAMI/CR/3178/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	79.8577
1803	NO° CAMI/CR/3179/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au,Sn, Cu, Pt, Ag, W, Co, Nb and Ta	90.90185
1804	NO° CAMI/CR/3180/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au, Sn, Cu, Pt, Ag, W, Co, Nb and Ta	61.1676
1805	NO° CAMI/CR/3181/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au, Sn, Cu, Pt, Ag, W, Co, Nb and Ta	86.6541
1806	NO° CAMI/CR/3182/2007	Loncor Resources Congo SARL	10-Feb-2007	09-Feb-2022	Fe,Au, Sn, Cu, Pt, Ag, W, Co, Nb and Ta	40.7784

### Surface Rights Owners

According to the DRC laws, the surface rights and the mineral rights pertaining to one property are not separated. Loncor therefore has access to both the surface and mineral rights to the Ngayu project.

Figure 1



### *Surface Fees and Provincial Taxes*

In order to maintain a PR in good standing under DRC law the title holder is required to make annual surface fee and surface tax payments to the State Treasury and the Provincial Tax authorities, respectively. To qualify for permit renewal the applicant must demonstrate that it has paid all surface fees and provincial taxes and has complied with environmental obligations. All surface fees and provincial taxes for the Ngayu project PRs have been paid and the PRs are currently in good standing. In 2017, amounts of US\$140,181 and US\$10,386 were paid for surface fees and provincial taxes respectively.

Should exploration lead to the discovery of an economic deposit the PR holder has the right to apply for a *Permit d'Exploitation* ("PE") or exploitation permit. The PE gives the title holder the right to carry out exploration, development, construction and exploitation works for a specific mineral. This includes the right to conduct mining operations, process and sell the mineral extracted. PEs are valid for 30 years, renewable for 15-year periods until the end of the mine's life.

The DRC Mining Code levies a 2.5% royalty on production of precious metals. Furthermore, the DRC Mining Code stipulates that a 5% free-carried interest be awarded to a Congolese State owned company at no charge. Surface fees for PEs are US\$6 per hectare (approximately US\$511 per carre), irrespective of commodity.

According to DRC law there is no export duty on marketable products, but a 30% corporate tax rate is applied on corporate profits. Loncor has not entered into any other agreements which could have a material impact on the Ngayu project, other than the joint venture agreement entered into with Randgold Resources (DRC) Limited in January 2016 (see Item 4A. of this Form 20-F ("History and Development of the Company")) for information in respect of this agreement).

### Environmental Liabilities

Loncor currently has no environmental liabilities or penalties pending for the Ngayu project. At this phase of exploration, very little damage has been done to the environment. Trenches dug for sampling purposes are rehabilitated fully once the sampling process has been completed. Similarly, drill pads have been rehabilitated after drilling activities. The exploration camp was built utilising an abandoned historic mining site with as little clearance as possible. Should the project be abandoned for any reason, the locals will be able to use the camp for residential purposes. Loncor does not foresee any significant environmental expenditure at this stage of the project. Each year environmental reports are submitted to the government.

### Accessibility, Climate, Local Resources, Infrastructure and Physiography

Altitude within the Ngayu project area ranges from 550 metres above mean sea level to 950 metres above mean sea level. The topography is made up of gently rolling hills and slightly incised valleys. The vegetation is typical dense forest. The region is drained by the Ituri River. The major tributaries within the Ituri River basin in this region include the Neopoko, Ngayu and Imbo rivers.

Access to the Ngayu project is by poorly maintained dirt tracks. These tracks converge towards a 760 kilometre well-maintained network of gravel roads that connect the towns of Kisangani, Nia-Nia and Butembo. The track between Bomili and Isiro is in extremely poor condition and only accessible by motor bike. The track between Nia-Nia, Wamba and Isiro is also in poor condition, but has been upgraded by the government recently. Kisangani has a tarred air strip and receives flights from Kinshasa. There is a grass airstrip at Nia Nia and Isiro also has a gravel air strip and receives flights from Kisangani and Bunia. There is a railway running through the town of Isiro, but this is no longer in service.

Towns located around the Ngayu project include Bomili and Yindi within the project area, Nia-Nia, Wamba, Isiro and Kisangani outside the project boundaries. The mode of transport on the poor quality dirt roads in and around the project area is either motorbike or foot but on the better quality gravel roads, trucks, buses and utility vehicles operate. The area can be accessed by means of a helicopter.

Loncor has erected exploration camps in the Ngayu project in the vicinity of the Yindi and Makapela prospects. The Yindi camp is a self-sustaining camp, with its own power, water and road infrastructure. Potable water is sourced from a tributary of the Ngayu river and filtered on site. Supplies are driven in from various developed towns. The camp consists of an office, tents sheltered by corrugated iron, a dining hall, core shed, a clinic and a helicopter pad and yard. The Makapela camp consisted of tented accommodation, offices and kitchen facilities, but has been abandoned due to its remoteness. Power is supplied by a diesel generator at the Yindi camp.

The climate in the eastern DRC is tropical. It is hot and humid in the equatorial river basin and cooler and wetter in the eastern highlands. The wet season takes place from April to October and the dry season from December to February north of the equator. South of the equator the wet season is from November to March and the dry season from April to October. The climate facilitates exploration and mining activities all year round. Exploration is more challenging during the wet season, as roads become muddy and slippery, pits are rapidly filled by water and field mapping is more difficult.

The land around the Ngayu project is mainly equatorial rain forest, with very tall trees and grass. A few small villages exist around the project area. Some wild animals exist in and around the area but most have been hunted out by the local population. Natural water sources are abundant. Groundwater potential has not been investigated. No electricity is available in the area except in the Yindi camp. The closest hydro-electric power station is situated near Kisangani. The towns of Yindi, Bomili, Wamba and Nia-Nia are potential sources of a workforce.

### History

The details of historical exploration for the Ngayu project are poorly recorded and not very clear. Gold was first prospected for in the Ngayu region by Belgian prospectors in 1909. The Societe Internationale Forestiere et Miniere du Congo (FORMINIERE) obtained exploration rights in the area and had evaluated the most important prospects by 1925. FORMINIERE then obtained exploitation rights for its subsidiary company, La Societe Miniere de la Tele. No further information about the two companies is available. The Ngayu project was owned by Société Minière de l'Aruwimi – Ituri and was exploited between 1929 and 1955. No further information on historical ownership of the project is available.

The database of the Central African Museum of Tervueren notes 13 occurrences of gold in the Ngayu greenstone belt, six of which are hosted within the Ngayu project area. The Tervuren database recorded historical gold production for some of the deposits occurring within the Ngayu greenstone belt. The largest hardrock gold mining operation in the Ngayu greenstone belt was at Adumbi which is not on Loncor's PRs. It is evident that mostly alluvial deposits were exploited, perhaps due to the ease of mining and due to the fact that it was mostly mined on a small scale.

### Geological Setting and Mineralization

#### Regional Geology

Most of the Tshopo Province is underlain by an Archaean Basement, called the Upper-Congo Granitoid Complex or Bomu Craton, formerly known as the Upper-Zaïre Granitoid Massif. This basement is covered by Lower and Upper Kibalian rocks, NeoArchaean in age that consist of volcano-sedimentary formations with intercalations of quartzites and itabirites. The Kibalian rocks have been metamorphosed to greenschist facies and in the project area constitute the greenstone belt. The Neoproterozoic Lindian Supergroup occurs to the south of the area and consists of a sedimentary

sequence with a thickness of more than 2,500 metres. The rock types in the sequence are mainly arkoses, sandstones, quartzites, shales and conglomerates.

The Upper Congo Granitoid Complex constitutes, together with associated metasediments and volcanics, the western part of the Nyanza-Kibali granite-greenstone terrain, which extends from northern Tanzania into Central African Republic. The greenstone terrain is hosted within the Kibalian series, which outcrops in numerous zones surrounded by granitoids, the most important (i.e. Moto, Kilo, Mambasa, Ngayu and Isiro) are more than 100 kilometres in strike length. They can be distinguished both by their shape and their lithological composition. Some of these zones constitute narrow belts (less than 10 kilometres wide, 30-60 kilometres in length) made up of units which are isoclinally folded along subvertical axial planes and sub-horizontal fold axes. Others are more or less isometric and show a synclinal tectonic style. The former possesses a metavolcanic/metasediment volumetric ratio (v/s) of about 1 that of the latter exceeds three (up to 10).

An Upper Kibalian (v/s about 1) overlies a Lower Kibalian (v/s high) in the zones of Moto and Ngayu. Extrapolating this relationship to other zones it can be concluded that two generations of greenstones exist, the one forming narrow bands, rich in sedimentary rocks, belonging to the younger of the two generations. This distinction is also supported by geochronology. The Lower Kibalian of Ngayu and Moto is intruded by 2.8Ga old tonalities and the Upper Kibalian by 2.45Ga old granites. Most volcanics of the Lower Kibalian are akin to oceanic tholeiites while those from the upper division contain distinct andesitic members together with less typical tholeiites. Nowhere has the Lower Kibalian series been observed to be associated with high-grade gneissic rocks likely to represent their basement. The Upper Kibalian series, on the other hand, is typically associated both with the tonalite-Lower Kibalian association and with gneissic series (i.e. the West-Nile gneissic Complex) suggesting a different geodynamic setting for the two series.

The Ruwenzori tectonic episode (ca. 2Ga old) strongly affected the southern flank of the Upper Congo Granitoid Complex, which resulted in the formation of shear belts cutting through the Kibalian zones, and in the cataclasis of the associated granitoids.

In the region bordering the Western Rift, NNE-SSW trending shear belts, ca. 950Ma old, strongly reactivated parts of the West-Nile gneissic Complex. Parallel trending belts cutting through the Kibalian zone of Kilo are probably linked to the same event. The tectonic episodes of ca. 790Ma and 700Ma affected the northern flank of the Upper Congo Granitoid Complex and consequently the Kibalian zone of Moto. By reactivating the late-Archaeon suture between the West-Nile Complex and the Congo Granitoid Complex, these episodes contributed to the present shape of the Moto zone.

### Local Geology

The Ngayu project is located in a Precambrian greenstone belt enclosing folded and fractured volcano-sedimentary series. In the project area, both the Upper and Lower Kibalian Groups are present. The Lower Kibalian is represented by the orthogneiss complex, which is a sequence of metamorphosed granites and gneiss intruded by diorites. The Upper Kibalian represents the greenstone belt made up of metasediments and metavolcanics of greenschist facies including prominent banded ironstone units (BIF) which form prominent ridges throughout the Ngayu greenstone belt.

The Kibalian Supergroup is overlain by the early Proterozoic Lindian Supergroup, which is composed of the Penge Formation (arkoses, conglomerates and quartzites), Lenda Formation (carbonaceous sediments), Asoso Formation (intercalated schists and quartzite), Avakubi Formation (sandstones, arkoses and conglomerates), Mamungi-Kole Formation (schists, with lenses of sandstone and dolomite) and Galamboge Formation (quartzite, sandstone and arkose). World class examples of gold deposits in similar geological settings to the Ngayu project include Kilo-Moto and Geita in Tanzania. Fractured zones marked by quartz veins cross-cutting the Kibalian (including the BIF) throughout the prospect are first targets. Also of interest are fractured contact zones including cataclastic breccias between the Kibalian series and the Lindian cover deposits.

## Property Geology

The Ngayu project covers large parts of the Ngayu greenstone belt and consists of three main Pre-cambrian lithological units. The granite-gneiss sequence forms the basement in the project area. The Upper-Congo granitoid complex, composed of undifferentiated Kibalian and pre-Kibalian rocks, occupies a zone in the eastern-central and in the northwestern part of the concession. Different rock types can be distinguished in the area, namely, granitoids with porphyritic texture, diorites, orthogneisses, and magmatic and anatectic rocks.

The metamorphic Kibalian rocks overlying the basement are composed of paragneissic Lower Kibalian, not identified in the project area, and of Upper Kibalian occupying the northeastern border of the concession with scattered outcrops. The greenschist facies consists of a pelitic-psammitic series with intercalations of quartzites, itabirites, para-amphibolites, metavolcanics and accessory carbonate rocks. Towards the base, quartzophyllades, micaschists and gneisses can be found. The granitic and metamorphic rocks may also be intruded by pegmatites, aplites, undifferentiated amphibolites, mafic rocks, diorites and quartz diorites as well as quartz veins and quartz veins with tourmaline.

The overlying sedimentary Lindian Supergroup is found to the southwestern part of the concession. It is composed of the Ituri Group (Penge, Lenda, Asoso Formations) and the lower part of the Lokoma Group (Avakubi Formation). The sedimentary units in the project area comprise mainly clastic sediments. Different faults cross-cut the three lithological units. Several folds have been observed in the field but no detailed structural study of this region is available.

## Mineralised Zones

The majority of gold occurrences within the Ngayu project are located close to the contact of BIF (Banded Ironstone Formation). Historically, only two deposits were exploited on a large-scale by previous owners, namely Yindi and Adumbi. Adumbi falls out of the project area in the east. Remnant mining infrastructure from previous operations at Yindi includes the old laboratory, plant and camp but are derelict. Makapela is a relatively new artisanal site which was developed by artisanal miners within the last 15 years and has been one of the foci of the Company's exploration activities.

## Mineralization

Gold is the only commodity to have been extracted commercially in the Ngayu belt. A few years ago Rio Tinto assessed the BIF as a potential source of iron ore, but although haematite-rich zones of good grade were reportedly drilled, tonnage was below the economic requirement. Diamonds are recovered by artisanal miners from the Ngayu River; the source of the stones is unknown, but is probably outside the area under discussion. No other mineral occurrences of potential significance are known.

Gold was discovered in the Ngayu belt by Belgian prospectors in the 1920s, and commercial production took place from both primary and secondary sources until the mid-1950s. A summary of the historical production is given in Table 2 below, although production records are incomplete and sketchy and the figures quoted represent only an approximation.

**Table 2: Historical Gold Production for the Ngayu Belt (1925 – 1955)**

<b>Deposit</b>	<b>Primary Au (oz)</b>	<b>Secondary Au (oz)</b>	<b>Total Au (oz)</b>
Adumbi Area	208,000	83,000	291,000
Imva Fold Area	N/A	200,700	200,700
Yindi	45,200	21,000	66,200
Northern Ngayu Belt	N/A	60,800	60,800
Anguluku	5,700	N/A	5,700
<b>Totals</b>	<b>258,900</b>	<b>365,500</b>	<b>624,400</b>

The most prolific area for alluvial mining was the Imva Fold area, where extensive artisanal mining continues today, and where several areas of primary gold mineralization (Matete, Nagasa, Anguluku and Itali) have been under investigation by Loncor.

Several styles of gold mineralization have been identified in the Ngayu belt and are summarised below:

Shear-zone hosted gold:

- Mineralization of shears within BIF, or on the BIF contacts, leading to quartz veining and sulphidation of the BIF and immediate wall-rock, e.g. Adumbi, Makapela Reef 2.
- Mineralization of shears within basalts and schists (and to a much lesser extent intermediate intrusives) resulting in discrete auriferous quartz veins with limited wall-rock mineralization, e.g. Makapela Reef 1, and the Yindi vein field.

Disseminated mineralization in BIF:

- Sulphidation of BIF by fluids utilizing nearby cross-cutting and parallel structures, such as thrusts and shears e.g. Yindi BIF-hosted mineralization and Nagasa Anomaly 1. This style of mineralization has the potential to form deposits of very large size, e.g. Geita in Tanzania.

Sheeted veins:

- Shear zones resulting in auriferous sheeted quartz veins and veinlets developing mainly parallel to the foliation and forming packages over widths of up to 40 metres, often with disseminated mineralization between the veins, e.g. Itali, Mondarabe.

Elluvial/Colluvial deposits:

- Artisanal mining of weathered gold mineralization preserved as elluvial or colluvial material, is widespread throughout the belt, particularly in the Imva Fold area and Anguluku.

Alluvial deposits:

- Palaeoalluvial deposits are locally exploited by artisans by digging pits to the basal gravel layer of old river channels, e.g. Nagasa, Mondarabe, Matete.
- Exploitation of modern alluvium is widespread throughout the Ngayu belt, and is particularly common in the Imva Fold area.

### Prospect-Scale Mineralization Controls

#### *BIF (Banded Ironstone Formation)*

Within the Ngayu belt there is a strong association between gold mineralization and the presence of BIF, the BIF either constituting the host rock (e.g. Adumbi, Yindi, Makapela, Nagasa) or forming a significant part of the local stratigraphy (e.g. Mondarabe, Itali, Anguluku). BIF forms both physical and chemical traps for mineralizing hydrothermal fluids as follows:

- Competency contrasts between the BIF and the interlayered rocks.
- When interlayered with incompetent lithologies such as the metasedimentary schists and volcanoclastics, the BIF constitutes relatively hard rock, more likely to develop brittle fracturing than the more ductile surrounding rocks. Also, shearing may preferentially take place in the schists, on the contact with the BIF. These fractures and shears can act as channel-ways, focussing hydrothermal fluids into the chemically reactive BIF.
- When interlayered with competent rocks such as massive basalts, the BIF units (especially if relatively thin like those at Makapela) may act as zones of weakness, along which shears and faults may propagate. Again, the tectonic fabric within the BIF can facilitate the flow of hydrothermal fluids.
- Sulphidation of magnetite. The iron-rich BIF is a chemically reactive rock, the main interaction with hydrothermal fluids involving the reduction of magnetite to pyrite, resulting in the precipitation of gold.

### Loncor Exploration

Exploration by Loncor commenced in late 2009 and initially included desktop research, primarily utilising data from the Royal Museum for Central Africa in Terveuren, Belgium and preliminary interpretation of airborne geophysical data, acquired by Rio Tinto in 2007. A base camp was established on the property at Yindi in March 2010. At the beginning of Loncor's Ngayu project, it was decided to divide the exploration into two concurrent programs:

- Assessment of areas of known gold mineralization (Yindi and Makapela) with the potential to rapidly reach the drilling stage and provide a mineral resource base for the Company. Soil sampling, augering, rock chip and channel sampling were carried out prior to diamond drilling.
- Regional programs aimed at assessing the remainder of the then 4,500 km<sup>2</sup> land package as quickly and cost effectively as possible, in order to identify and prioritise mineralized target areas for follow-up, and enable less-prospective ground to be relinquished with confidence. This program mainly entailed a regional BLEG (Bulk Leach Extractable Gold) survey and detailed interpretation of regional aeromagnetic data. Both these programs were carried out under a technology consultation services agreement between Loncor and Newmont, which was entered into in February 2011.

### Regional Programs

#### *Aeromagnetic Surveys*

Rio Tinto commissioned heliborne magnetic and radiometric surveys over the Ngayu belt in July and August 2008, as part of its iron ore exploration programme. Loncor was provided with this data in 2009, under the then terms of the agreement between the two companies. The survey was flown by New Resolution Geophysics, on 200 metre-spaced lines orientated north-south. The average sensor terrain clearance was 32 metres, and tie lines were flown every 2,000 metres. All the greenstone terrain covered by Loncor's properties was included, with only the areas to the northeast and southwest, which are underlain by granitoids and Lindian cover respectively, excluded from the survey. The aeromagnetic data were interpreted by Newmont in 2011, under the companies' technology consultation services agreement. Four areas were prioritised as being lithologically and structurally favourable for gold mineralization, as follows:

- The Imva Fold Area, where the BIF has been deformed into a tight regional fold, with strike-parallel faults (probably thrusts) and quartz-diorite intrusives in the fold hinge and on the flanks.
- An early-formed, north-south trending structural corridor, in the Makapela-Itali area, with dioritic intrusives.
- The Angulukulu area where BIF is interpreted to have been thrust against a basement high, at the intersection with the NW-SE trending Yindi structure.
- The northeast of the project area, along strike from the old Adumbi mine, in an area where folded BIF with strike-parallel faulting, is cut by a major north-south structure.

During 2012, Loncor undertook more detailed aeromagnetic and radiometric surveys over priority target areas (ie Imva Fold area).

#### *BLEG Sampling*

BLEG (Bulk Leach Extractable Gold) sampling is a stream sediment sampling technique employed by Newmont worldwide in its regional gold exploration programmes. It provides a relatively fast and reliable way of assessing large tracts of land, and has been particularly effective in defining targets within the Ngayu area. The sampling methodology and analytical techniques are proprietary to



Newmont, and as such, cannot be detailed herein. Following successful orientation surveys in the Yindi and Makapela areas in 2010, in which 32 samples were collected, three phases of BLEG sampling were carried out as follows:

- phase 1, carried out in March 2011, in which 418 samples were taken over the whole concession area, at an average sampling density of one sample per 10 km<sup>2</sup>;
- phase 2 was completed in September 2011, with the objective of more closely defining the anomalies outlined in Phase 1. A total of 192 samples were collected representing an average sampling density of one sample per 4 km<sup>2</sup>; and
- phase 3 was implemented in November 2011 in order to further delineate the sources of gold anomalism in selected target areas. A total of 129 samples were collected.

Six high priority (H1-H6), seven medium priority (M1-M7) and four lower priority targets (L1-L4) have been defined based on the BLEG data and the geophysical interpretation. The rationale for selecting these targets is as follows:

- targets H1, H2, H3 and M1 in Imva Fold area: BIF occurs on the limbs of an WSW-ENE trending fold over a strike length of 25 kilometres. More complex zones of folding locally occur on the limbs of this regional structure, which together with the presence of strike-parallel faulting, form structurally favourable sites for gold mineralization. Clusters of strong BLEG anomalies of up to 1,136 ppb Au are present (compared with background values of <3ppb Au for the general area);
- targets H4 and M2 (Makapela area): the BLEG data indicate the presence of gold mineralization to the east and west of the Makapela prospect, in catchment areas independent of the Makapela mineralization. Both targets are interpreted to be underlain by the basalt-dominated package with thin BIF units, which host the Makapela mineralization. The Makapela area (and the eastern part of the Imva Fold) are transgressed by a north-south structural corridor which appears to be an early feature that has been the focus of granodioritic intrusives, and which probably also introduced mineralizing fluids;
- targets H5, M3 and M4 (Bole Bole Area): these areas of anomalous BLEG lie within a sequence of metasediments, tuffs and interbedded BIF, in a structurally favourable zone where the regional strike of the greenstone belt changes from NW-SE to NE-SW;
- target H6 (Anguluku Area): the area of anomalous BLEG data is underlain by BIF, and lies at the intersection of the NW-SE trending Yindi structure and E-W, strike-parallel faults. The latter are possibly thrusts which formed due to compression of the Anguluku lithological sequence against a basement dome immediately to the north. The BLEG data suggest that mineralization may have a greater strike extent than the 3 kilometres indicated by artisanal mining in the area;
- targets M5, M6 and L1 (Adumbi Trend): the BLEG data in anomaly M6 suggest that the BIF-associated mineralization at Adumbi may extend onto Loncor's property. Targets M5 and L1 are located 15 kilometres and 30 kilometres respectively along strike and may represent a NW extension of the Adumbi trend;
- target L3 includes the Yindi mineralization. However, the southeastern anomalous catchment has not yet been investigated, and will be followed up probably by extending the soil grid; and
- targets L2 and L4 are relatively small and isolated BLEG anomalies. They will be confirmed by additional BLEG sampling before decisions on follow-up work are made.

Field duplicates were taken at a frequency of one in twenty samples and the results rigorously assessed by Newmont's senior geochemists in Perth, Australia. It was concluded that the quality of the sampling was excellent, and that the results of the survey are reliable. Analytical duplicates and blanks were also included as part of Newmont's internal quality control procedures. Groundwork

aimed at defining drilling sites within the above target areas commenced in January 2012. This entailed soil sampling (initially on lines 320 metres apart, with in-fill to 160 metres and 80 metres where warranted), geological mapping and rock chip sampling, regolith mapping (utilizing remote sensing techniques and Newmont's in-house expertise), and trenching and/or mechanical augering of soil anomalies. In addition, the program provides for geophysical surveys to more closely define the location of potentially mineralized zones. There is good correlation between the target areas derived from the aeromagnetic interpretation and the BLEG surveys.

### Prospect Exploration

Grids were established at the Yindi, Makapela, Itali, Matete, Nagasa, Mondarabe, Anguluku and Adumbi West prospects with airborne magnetic and radiometric surveys, geological mapping, stream sediment sampling, soil and rock sampling, trenching, augering, ground geophysical surveys (Induced Polarisation) and core drilling being undertaken.

Table 3 below summarises the exploration statistics for the Ngayu work program for the period 2010 – 2013.

### Prospects within the Ngayu Project

#### *Yindi Prospect*

Yindi is the site of an old Belgian mining operation which ceased production before independence, and which produced approximately 45,000 ounces and 21,000 ounces of gold from primary and secondary sources respectively. The Belgians primarily exploited discrete high grade quartz veins by means of adits and narrow open-pits, and limited open-pitting was also carried out on mineralized BIF. Since operations ceased in the mid-1950s, the veins have been targeted by artisanal miners.

Exploration at Yindi commenced in March 2010 with the establishment of a 2 x 6 kilometre soil sampling grid, coincident with a well-defined magnetic anomaly, and covering the area of old mining activity. Soil sampling lines were originally at a spacing of 160 metres, with infill to 80 metres in anomalous areas. All soil sampling lines were geologically mapped.

**Table 3: Exploration Statistics for the Ngayu Work Program (2010-2013)**

	Activity									Samples									
Prospects	Gridd -ing (km)	IP (km)	Trenc h-ing (m)	AditM app- ing (m)	Other Channe l (m)	Auger Drilling		Diamond Drilling		BLE G	Stream Sedime nt	Soils	Ro ck	Adit Chan nel	Trenc h Chan nel	Other Channe	Auger	DD	Thin Section
						Hol es	(m)	Ho les	(m)										
Yindi	94.16	23	486.49	208.30	388.70	133	566.90	18	3302.24	16	0	2362	189	227	525	424	558	3526	11
Makapela	189.68	0	0	0	242.46	797	4537.12	84	24058	12	659	4826	197	0	0	287	3381	6201	58
Itali	48.20	0	691.10	29.00	170.45	170	938.55	5	1195.43	0	0	1234	169	31	751	196	649	1450	8
Anguluku	101.28	47.5	439.85	173.00	165.93	126	381.35	0	0	0	560	2549	274	175	454	227	481	0	1
Adumbi	68.80	0	13.00	0	141.90	0	0	0	0	0	0	1787	138	0	20	197	0	0	0
Nagassa	147.68	125.9	432.85	26.70	253.55	750	3489.39	9	2620.65	0		3815	373	34	481	309	3277	1880	11
Mondarabe	157.36	0	375.21	0	489.60	135	542.70	7	1220.50	0	0	4047	362	0	385	580	561	1533	7
Matete	148.84	89	989.20	0	239.39	256	1079.25	0	0	0	0	3856	401	0	1062	330	1110	0	8
Andagbowa	3.04	0	0	0	21.90	0	0	0	0	0	91	89	34	0	0	30	0	0	0
Bleg	0	0	0	0	0	0	0	0	0	711	0	0	71	0	0	0	0	0	0
PROJECT TOTAL	959	285.4	3428	437	2114	2367	11535	123	32397*	739	1310	24565	2208	467	3678	2580	10017	14590	104

Channel sampling of accessible old adits and open-pits was undertaken, and several old trenches were re-excavated and channel sampled. Mechanical auger drilling was carried out to test for saprolite mineralization below soil anomalies.

Diamond drilling commenced in September 2010 and 18 holes (3,274 metres) were completed before drilling was stopped in March 2011. The drilling focussed on an area of BIF-hosted gold mineralization which was identified from soil and channel sampling, and which had been mined to a limited extent during colonial times. Holes ranged from 134 metres to 290 metres in depth (i.e. a maximum of 262 metres vertically below surface).

IP surveys were carried out in March 2013, and comprised a 1 x 1 kilometre gradient array survey, followed by two lines of pole-dipole. The objectives of this work were: (a) to assess the IP response of mineralized BIF as an orientation for surveys elsewhere in the concession, (b) to assist in determining the geometry and plunge of the BIF-hosted mineralization at Yindi, and (c) to detect possible additional mineralized zones.

The drilled rocks mainly comprise fine grained schists, which petrographic studies show were originally pelitic sediments and tuffs, now metamorphosed to lower greenschist facies. Several units of BIF up to about 15 metres in thickness are interlayered with the schists. The sequence has a consistent NW-SE strike and southwesterly dip of about 75°. Gold mineralization occurs both within the BIF and within the schist near the BIF contacts, and is associated with:

- pyritisation of magnetite bands in the BIF;
- massive pyritisation of the BIF;
- disseminated pyrite in the schist; and
- quartz veining within both lithologies.

All significant mineralized intersections are shown in Figure 2 below. The better grades and widths occur in the central part, in drill holes NYDD001, NYDD003, NYDD004, NYDD005, NYDD007, NYDD008, NYDD012 and NYDD014. In these holes the mineralization associated with the main BIF horizon has an average width of 12.90 metres (10.96 metres true width) at an average grade of 2.20 g/t Au.

Additional drilling is warranted at Yindi in order to determine a mineral resource.

#### *Makapela Prospect*

Belgian workers carried out alluvial mining in streams draining from the Makapela area during the colonial era, but no production figures are available. Primary mineralization was discovered by artisanal miners in 2006, and within four years mining was taking place in three pits to a maximum depth of about 20 metres. The pits are between 170 metres and 190 metres in length and are located along a strike of 2.2 kilometres. Exploration by Loncor at Makapela commenced in May 2010, with a 7 x 2 kilometre soil sampling grid covering the area of artisanal activity, and extending southwestwards over stream sediment anomalies depicted on old maps from the colonial era. Lines were at 160 metre intervals, with infill to 80 metres where warranted. The results indicated the possible continuation of mineralization between the Main, North and Sele Sele pits, over a strike of 3 kilometres. A separate soil anomaly was identified over a strike of 2 kilometres in the Bamako area, to the southeast of the Main pit. Channel sampling was carried out in the artisanal workings, and based on the encouraging grades and widths returned, a preliminary drilling program of five holes was planned to test the mineralization at depth below the Main, North and Makapela pits. This program was expanded to outline the strike extent of the mineralized zones, following which a decision was made to drill sufficient intersections to provide an inferred resource. The resource drilling aimed to intersect the mineralization on sections 80 metres apart along strike, at depths of 80 metres, 160 metres and 240 metres; intersections at 320 metres and 400 metres depths were drilled on sections 160 metres apart. A total of 56 holes (18,091 metres) were completed in the vicinity of the Main and North pits,

and 15 holes (3,594 metres) were drilled at Sele Sele. In addition to the above resource drilling program, a total of 12 holes (1,560 metres) were drilled to locate potential extensions to the known reefs and new mineralized structures indicated by soil, rock chip and auger sampling.

The Makapela area is underlain by a series of basalts which strike NNE-WSW and dip to the WNW at an average of 85°. A mineralogically similar rock with a coarser texture is also common, and has been given the field name “dolerite”. However, it has gradational contacts with the fine-grained basalt, and is interpreted to represent the central parts of thick flows, rather than intrusive sills. Several units of BIF are interlayered with the basalts, and range up to 13 metres in thickness, although the width is generally less than 6 metres. Quartz porphyry and quartz-feldspar porphyry dykes and sills are also present, and petrographic examination shows that they are quartz-dioritic to tonalitic in composition. In the vicinity of the mineralized zones, these intrusives are generally no more than a few metres in width, and are probably apophyses off a larger porphyry body located about 200 metres to the NW.

Three styles of mineralization are present at Makapela:

(a) Quartz veins emplaced into shear zones within the basalt sequence, which are either parallel to strike or cross-cut the lithological strike at acute angles. The best developed and economically significant vein (Reef 1) is exploited in the Main pit, and consists of white quartz with irregularly distributed pyrite as disseminations and blebs averaging about 3%. Visible gold is quite common, occurring in 28% of the intersections as isolated specks and small aggregates up to 2 mm across. Reef 1 has been intersected over a strike length of 480 metres and to a vertical depth of 480 metres, and dips to the WNW at 80 - 90°. It has an average true width and grade of 2.15 metres @ 11.15 g/t Au.

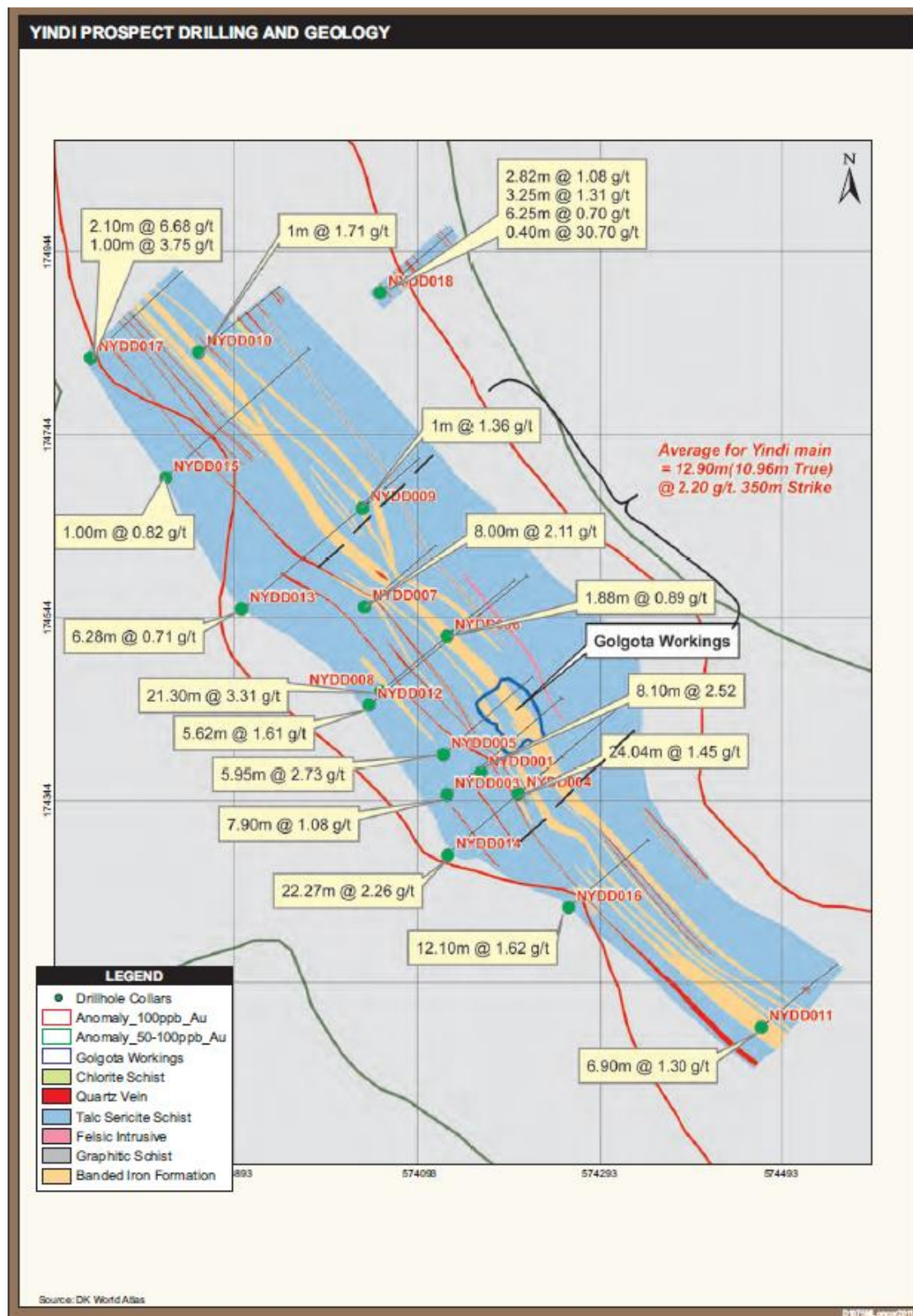
A characteristic of Reef 1 is the good geological continuity between drill sections; although the width and grade is variable, the vein was present in almost all holes, in approximately the expected position. The basalt hosting Reef 1 shows intense hydrothermal alteration for several metres into the hangingwall and footwall. The alteration consists mainly of pervasive chlorite with abundant finely disseminated pyrite.

(b) Strike-parallel mineralization up to 6 metres in width, closely associated with shearing within and on the margins of BIF units. The most important zone (Reef 2) is exploited in the North pit. The alteration assemblage frequently obliterates all traces of the original rock fabric, and consists of smoky grey, brecciated quartz and chlorite with common disseminations and stringers of pyrite (Plate 8). The sulphide content is variable and averages about 8%. In some intersections, remnant magnetite is present as isolated grains and fragmented bands within the quartz, whilst relatively unaltered BIF locally occurs in the immediate footwall of the alteration. Visible gold is much less common than in Reef 1 occurring in 5% of intersections.

Reef 2 has been intersected on the North pit trend over a strike length of 800 metres, the most significant grades occurring in the northern section over a potential strike length of 480 metres. In this northern area, which has been drilled to a maximum vertical depth of 418 metres, the mineralization has an average true width of 3.52 metres with an average grade of 8.44 g/t Au. Several metres of pervasive chlorite and finely disseminated pyrite occur as an alteration halo to Reef 2, similar to Reef 1. As with Reef 1, Reef 2 shows excellent geological continuity, the altered BIF horizon being intersected in all holes in the expected position. The better developed part of Reef 2 occurs at relatively shallow depths with a plunge of about 10 ° to the NNE, before assuming a very steep plunge to the SSW. It is possible that the Reef 2 mineralization represents the lower part of a sigmoidal structure, the upper “tail” of which has been lost by erosion.

A minor zone of mineralized BIF (Reef 3) occurs 70 – 170 metres in the footwall of Reef 2. It is thinner, more irregularly mineralized and has a much shorter strike than Reef 2, and has little economic significance.

Figure 2 Significant Gold Drill Intersections at Yindi Prospect



Mineralization in the Sele Sele pit, 2 kilometres NNE of the North pit, has similar characteristics to Reef 2, and is interpreted to be on the same BIF unit, based on continuity of the soil anomaly, augering and limited diamond drilling between the two pits. However, the Sele Sele zone is generally wider and lower grade than in the North pit area, the best intersection drilled being 15.68 metres @ 5.35 g/t Au. Pyrrhotite is commonly associated with the pyrite in the Sele Sele area, and is locally the dominant sulphide phase. The mineralization plunges to the SSE at about 40°.

A third area of Reef 2 style mineralization occurs in the Bamako area where channel sampling returned an intersection of 4.60 metres @ 11.42 g/t Au. The mineralization is associated with a 2 kilometre long soil anomaly, and although the best intersection from preliminary drilling was of relatively low grade (3.60 metres @ 4.43 g/t Au) further work is warranted.

Figures 3 and 4 below highlight the drill intersections on Makapela Main to North area and Sele Sele area respectively.

#### *Itali Prospect*

The Itali prospect is located at the eastern end of the Imva Fold structure, 40 kilometres to the north-west of Yindi and 10 kilometres south of Makapela. Lithologies comprise an interbedded sequence of BIF, basaltic volcanics and metasedimentary schist. Post-deformation, dioritic intrusives occur within and on the flanks of the fold. Extensive strike-parallel faults have been interpreted from aeromagnetic data, and are possibly thrusts that formed during the NNW-SSE compression and folding event. Five drill holes have been completed at Itali. The first hole was drilled to test a trench intersection of 42.50 metres at 2.11 g/t. The drill hole was 161.85 metres in length and inclined at -50 degrees to the south, and was drilled parallel to and immediately below the trench.

The main mineralized zone consists of quartz veins and veinlets within basalt, overlain by graphitic schist. Two lower-grade zones occur in the vicinity of the basalt/schist contact. The main mineralized zone of 38.82 metres at 2.66 g/t Au, dips at 52° to the north, strikes east-west, and correlates closely with the trench intersection. The rock is completely oxidised to a vertical depth of 110 metres below surface.

Intersections in the subsequent holes, drilled to test the mineralized zone down dip and along strike, include: 21.20 metres @ 0.68 g/t Au (Hole 2), 10.15 metres @ 1.07 g/t Au (Hole 3), 14.70 metres @ 1.68 g/t Au and 3.95 metres @ 19.5 g/t Au (Hole 4). Ground geophysics and further ground geophysics and drilling will be required to determine the strike potential, and to identify the higher-grade parts of the mineralized package.

#### *Mondarabe Prospect*

Soil sampling and rock chip sampling at Mondarabe delineated two anomalous areas: one to the north in the vicinity of the Mondarabe artisanal workings, where +100 ppb values (maximum of 2,350 ppb Au) occur over a strike length of 960 metres; and one in the southern part of the grid, on a hill associated with folded BIF. Five diamond drill holes have been completed on the northern anomaly where gold mineralization is associated mainly with foliation-parallel quartz veins and veinlets within a series of metapelites, intruded by sills of dolerite and minor quartz porphyry. Shearing has preferentially affected the dolerite, and hydrothermal fluids have mineralized the shear zones to varying degrees. The most significant mineralized intersections included 10.46 metres grading 2.01 g/t Au, 2.14 metres grading 31.1 g/t Au and 0.66 metres grading 148 g/t Au.



Figure 3 Makapela Main to North Drill Intersections

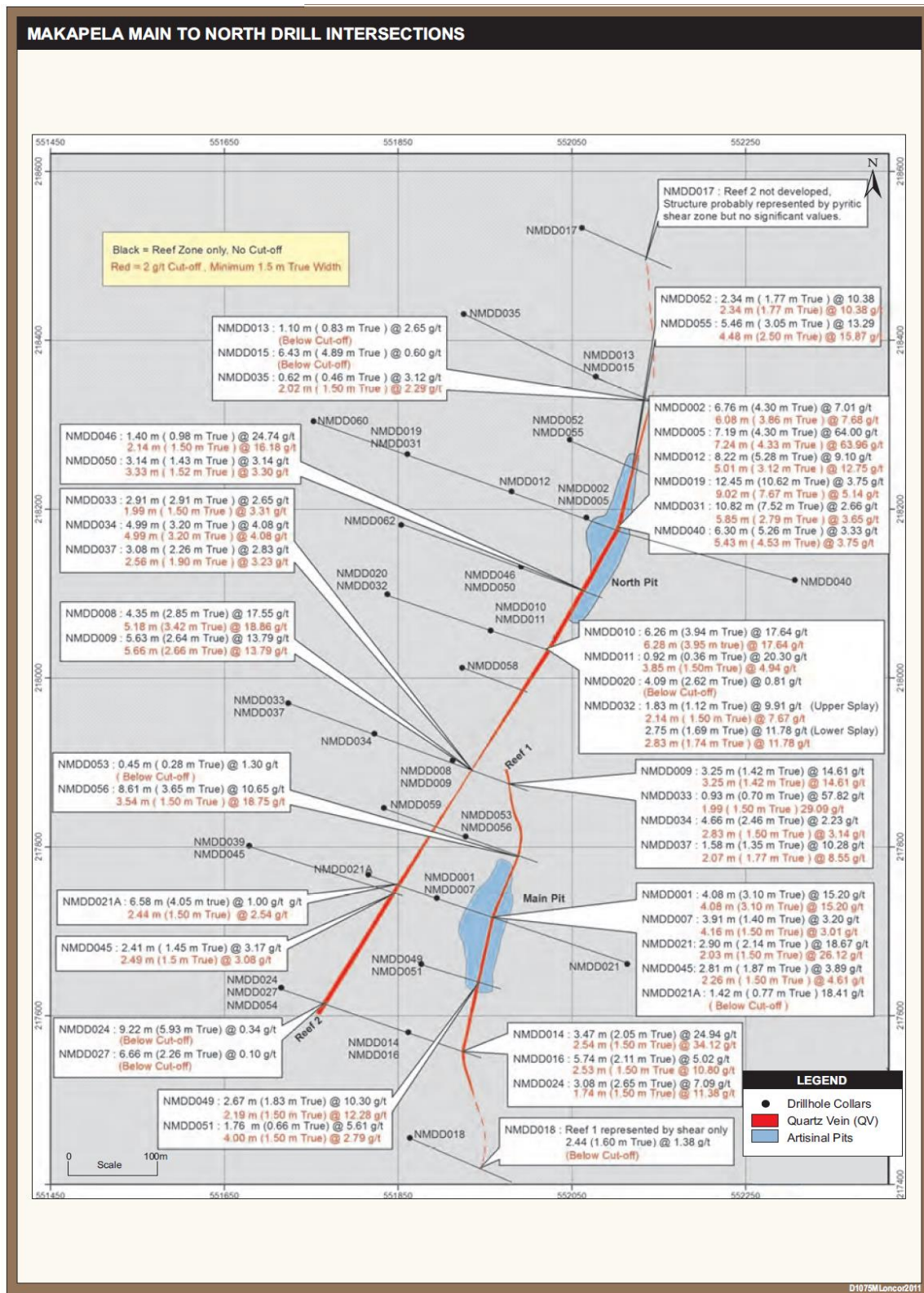
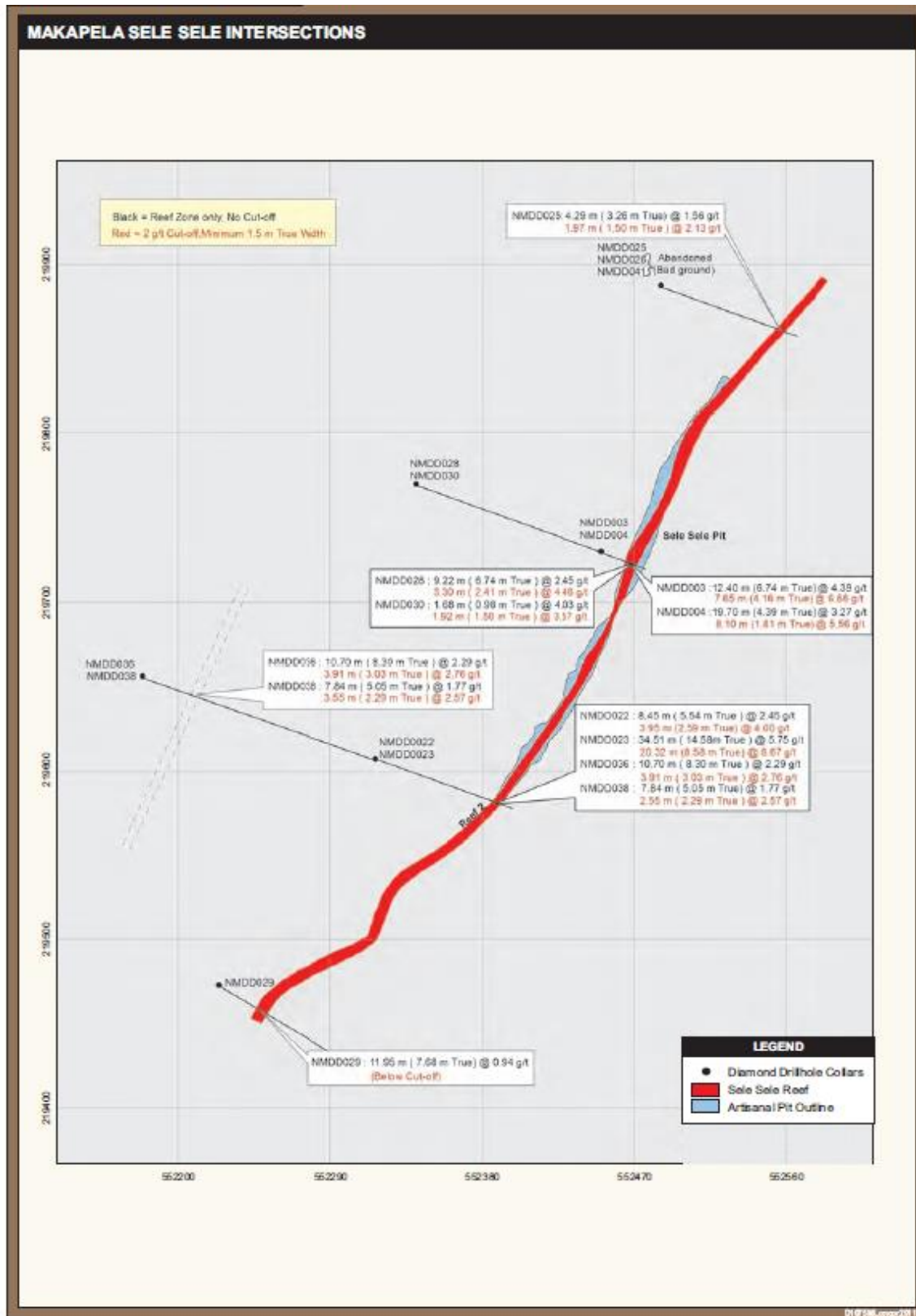


Figure 4 Makapela Sele Sele Drill Intersections





Two drill holes were completed on the southern soil anomaly area which is associated with folded BIF. Both holes intersected significant widths of BIF with individual units of up to 96 metres, interbedded with sericite schist. The BIF is locally quartz-veined and pyritized, the sulphide occurring as disseminated crystals, massive bands and patches. Despite the fairly widespread hydrothermal alteration, the mineralized zones intersected were relatively narrow, the best intersections in holes 6 and 7 being 3.23 metres grading 3.78 g/t Au and 1.23 metres grading 9.46 g/t Au respectively. Additional ground geophysics (I.P. surveys) and drilling is required to fully assess this prospect.

### *Nagasa Prospect*

The Nagasa prospect is located on the southern limb of the Imva Fold, and is underlain by schists containing several BIF horizons which strike east-west and dip steeply to the north. Strike-parallel faults, probably thrusts, are interpreted from the aeromagnetic data. A prominent BLEG anomaly is found at Nagasa.

The area is characterized by a relatively complex regolith cover, comprising a colluvial layer up to 3 metres thick containing abundant quartz clasts, overlain by a fine grained silty clay layer, interpreted to be palaeo-alluvium. The matrix of the colluvium is auriferous and is extensively pitted by artisanal miners, soil anomalies occurring where the colluvial material has been brought to surface. A +100 ppb soil anomaly with a strike of 3.5 kilometres is present in the eastern half of the grid, with values of up to 4,070 ppb Au. A second soil anomaly with a strike of about 1 kilometre occurs in the west.

Due to the overburden (regolith) covering much of Nagasa, it was decided to undertake geophysical IP ground surveys with the objective of detecting mineralized units below the regolith cover. IP surveys were conducted over an initial 2 kilometre x 2 kilometre block at Nagasa, and three well-defined anomalies were delineated. Additional IP surveys were subsequently carried out to the east and west to determine the strike potential of the anomalies. The southernmost Anomaly (Anomaly 1) has a strike length of at least 6 kilometres, and is associated with zones of colluvial workings and with localized remnants of colonial mining activity. Pole-Dipole IP arrays were also undertaken to produce pseudo cross sections which indicated that the higher chargeability anomalies were located at depth.

Two diamond drill holes, with a strike separation of 2,800 metres, were drilled to test Anomaly 1. IP Anomaly 2 was defined over a 2.9 kilometre strike and is located 500 metres north of, and parallel to Anomaly 1. Two wide spaced holes, 500 metres apart, were drilled into Anomaly 2. Again the higher chargeability anomalies from the Pole-Dipole sections appeared to be more prominent at depth and did not come to surface. One core hole was also drilled into the 5 delineated 1.6 kilometre IP Anomaly 3 which is located about 1 kilometre north of Anomaly 2, and occurs on a topographic high associated with the main BIF unit. Four other shallower diamond drill holes have also been completed by the Company at Nagasa. No significant mineralized zones were drilled at IP Anomaly 2 and Anomaly 3 although broad zones of hydrothermal alteration were intersected while at Anomaly 1, the most significant intersections were 3.72 metres grading 3.17 g/t Au, 2.00 metres grading 2.22 g/t Au and 0.41 metres grading 27.4 g/t Au. Further closer spaced drilling is required to delineate discrete mineralization within the broad hydrothermally altered zones at Nagasa.

### *Matete and Anguluku Prospects*

Ground geophysical IP surveys were undertaken during 2013 at the Matete and Anguluku prospects where the surface expression of mineralization may be masked by the presence of transported overburden. Both prospects were initially identified as high priority BLEG targets and the airborne magnetic data indicated structurally favourable (folded and faulted) BIF. At both Matete and Anguluku, gradient array and pole-dipole IP surveys delineated a number of IP anomalies that require follow up core drilling.

### Sample Preparation, Analyses and Security

Section 10 of the Ngayu Technical Report (which section is entitled “Sample Preparation, Analyses and Security”) is incorporated by reference into, and forms part of, this Form 20-F. A copy of the Ngayu Technical Report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

### Data Verification

Section 11 of the Ngayu Technical Report (which section is entitled “Data Verification”) is incorporated by reference into, and forms part of, this Form 20-F. A copy of the Ngayu Technical Report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

### Metallurgical Testing

Initial bottle roll metallurgical testwork for the Makapela prospect were undertaken in 2012 in order to obtain preliminary indications of gold recovery from the mineralized zones. Bottle roll is a preliminary metallurgical test to determine how much and how easily gold may be liberated from an ore using cyanide. Samples from Reef 1, Reef 2 and Sele Sele were selected for bottle roll tests at SGS in Mwanza. For Reef 1, ten core samples from two boreholes with grades from 2.50 g/t to 59.03 g/t Au (average grade 19.6 g/t Au) were used for the testwork and for Vein 2, 15 core samples from two boreholes with grades from 1.29 g/t to 76.33 g/t Au (average grade 15.24 g/t) were utilised. From the Sele Sele area, 14 core samples from one borehole grading 2.54 g/t to 18.17 g/t Au (average grade 7.30 g/t Au) were used.

For the bottle roll testwork, each core sample was crushed down to minus 2mm and pulverized down to 90% passing 75microns. Triplicate samples were analysed by fire assay to determine the average head grade of each sample. A 1.5 kg pulverised sample was then bottle rolled for 24 hours in a diluted cyanide solution to extract the gold. Gold analyses were then undertaken on the total gold in cyanide solution and the grade in the sample tails to arrive at the amount of gold extracted by the cyanide solution and the gold remaining in the leached tails. The results are summarised in Table 4 below.

**Table 4: Bottle Roll Metallurgical Testwork Results**

VEIN	NO. OF SAMPLES	MIN. MET RECOVERY(%)	MAX. MET RECOVERY(%)	AVG MET RECOVERY (%)
1	10	70.8	97.6	84
2	15	50.6	100	80.6
Sele Sele	14	16.1	93.5	55

The results indicate that Veins 1 and 2 are not refractory and have good metallurgical recoveries. Sele Sele requires further mineralogical and leaching testwork to investigate the wide variability on results to define leach characteristics and so the recoveries can be optimised.

Additional metallurgical testwork was initiated in 2013 but was not completed.

### Mineral Resource Estimates

In April 2013, the Company announced increases and upgrades of mineral resources at the Makapela prospect compared to the maiden mineral resources announced by the Company in May 2012. The updated mineral resources incorporated an additional 13 core holes from the initial, inferred-only maiden resource.

Tables 5 and 6 below summarise the current indicated and inferred mineral resources at Makapela using various cut-off grades including a base case economic cut-off grade of 2.75 g/t Au that used a US\$1,500/ounce gold price and appropriate cost parameter assumptions and metallurgical recoveries. Core drilling began at Makapela in October 2010 and focused on a quartz vein system within a sequence of basalts, thin units of banded iron formation and dolerite sills of Archaean age. A total of 71 core holes totalling 21,635 metres (including deflections) have been used to estimate these indicated and inferred mineral resources at Makapela. Drilling has been focused on three main veins: Reef 1, Reef 2, and Sele Sele that occur over a total strike length of 2.2 kilometres. Core drilling was undertaken on an approximate grid pattern of 80 by 80 metres down to a vertical depth of 240 metres and then on a 160 by 80 metre grid pattern down to a maximum depth of 480 metres.

**Table 5: Makapela Indicated Mineral Resources (with an effective date of April 9, 2013)**

Cut-off Grade (g/t Au)	Average Grade (g/t Au)	Tonnes (Mt)	Gold Content (Ounces)
1.00	7.45	2.683	643,000
2.00	8.14	2.407	629,700
2.75*	8.66	2.205	614,200
3.00	8.87	2.130	607,200
4.00	9.97	1.764	565,500

*Minimum mining true thickness of 1.5 metres. \*Cut-off grade estimated using a US\$1,500/ounce gold price with appropriate cost parameter assumptions for mining and other economic factors.*

**Table 6: Makapela Inferred Mineral Resources (with an effective date of April 9, 2013)**

Cut-off Grade (g/t Au)	Average Grade (g/t Au)	Tonnes (Mt)	Gold Content (Ounces)
1.00	3.49	6.944	779,800
2.00	4.29	4.900	675,900
2.75*	5.30	3.223	549,600
3.00	5.69	2.781	508,700
4.00	7.26	1.640	382,600

*Minimum mining true thickness of 1.5 metres. \*Cut-off grade estimated using a US\$1,500/ounce gold price with appropriate cost parameter assumptions for mining and other economic factors.*

In terms of material type, approximately 9% of the total mineral resources are in oxides, 6% in transitional and 85% in fresh rock.

These mineral resource estimates were prepared by independent consultants Venmyn Deloitte ("Venmyn"). The geology and drilling information was analysed, interpreted and estimated by Andrew Clay of Venmyn, who is a "qualified person" as such term is defined in National Instrument 43-101. Mr. Clay visited the site to review data collection procedures, geological interpretations and modelling, and estimation using geostatistical techniques. Venmyn also reviewed the geological and grade continuity to supplement the review of data quality in order to confer mineral resource classification categories to reflect the variable sample coverage. Venmyn was satisfied that all drilling, sampling, database and geological modelling protocols comply with the standards prescribed by National Instrument 43-101.

The following key assumptions, parameters and methodologies were used to estimate the mineral resources:

- Datamine Studio 3™ software was the modelling package used for the determination of the mineral resources.
- Gold grades were determined using ordinary kriging interpolation into a 3-dimensional block model constrained by mineralization wireframes developed from a 2g/t Au sample cut-off grade and a minimum horizontal width of 1.5 metres.
- The mineralization models were constrained within the wireframe with primary block dimensions of 10 metres N-S (along strike), 5 metres E-W (cross strike direction) and 10 metres in the vertical direction.
- Grade interpolation was effected separately for the individual mineralized zones and Datamine's dynamic anisotropy process was employed to control the orientation and axes of the search volumes.
- The down dip extrapolations were restricted to three times the variogram range from the last drillhole used in the interpolation and the model was trimmed off at a maximum depth of 500 metres from the surface for reporting purposes.
- Portions of the resource have been re-classified from Inferred to Indicated based on increased geological confidence and grade continuity due to data quality and data density following infill drilling. Criteria for Indicated are sufficient samples within one variogram range to achieve valid local estimates, in respect of positive kriging efficiency.

Drill cores for assaying were taken at a maximum of one metre intervals and were cut with a diamond saw with one-half of the core placed in sealed bags by Company geologists and sent to the SGS Laboratory (which is independent of the Company) in Mwanza, Tanzania. The core samples were then crushed down to minus 2 mm, and split with one half of the sample pulverized down to 90% passing 75 microns. Gold analyses were carried out on 50g aliquots by fire assay. In addition, checks assays were also carried out by the screen fire assay method to verify high grade sample assays obtained by fire assay. Internationally recognized standards and blanks were inserted as part of the Company's internal QA/QC analytical procedures.

A total of 2,614 core samples were taken to determine relative density measurements for the various reefs and oxide, transitional and fresh rock components.

#### Exploration Plans at Ngayu

Since 2013, no drilling has been undertaken and the Yindi camp was put on care and maintenance due to funding constraints.

The status of exploration, exploration potential and recommended future exploration programs are summarised for the various prospects at Ngayu as follows, subject to sufficient funding being available for the Company and subject to the results obtained by Randgold under the Joint Venture:

<b>Prospect</b>	<b>Exploration Status</b>	<b>Exploration Potential</b>	<b>Next Steps</b>
Makapela	Indicated and inferred mineral resources summarized in the tables above.	<i>Main Zones:</i> Considered unlikely that all the mineralized bodies are outcropping, and good potential for locating blind mineralized shoots along well-defined structures with an aggregate strike of >5 kilometres.	<i>Main Zones:</i> 1. IP (pole dipole) testwork over known mineralization, followed by systematic pole-dipole lines along strike. 2. Drill testing of anomalies. 3. Completion of preliminary

Prospect	Exploration Status	Exploration Potential	Next Steps
		<i>Other:</i> Possible mineralization associated with a quartz-porphyry intrusion overlain by transported overburden.	economic assessment.  <i>Other:</i> IP to locate possible mineralized parts of the quartz-porphyry, followed by auger drilling and diamond drilling
Yindi	Outline drilling on main soil anomaly (18 holes) demonstrates potential for delineation of a mineral resource.	Drilled zone is open-ended to SE. Two adjacent IP anomalies not drill tested. Kputuka adit (10.30 metres @ 4.12 g/t Au) not drill tested. Possibility of disseminated & stockwork mineralization in La Grace area.	Additional drilling on main zone for inferred resources and to close off in SE. Drill test IP targets and Kputuka adit. IP surveys in La Grace area.
Nagasa	Preliminary drilling of IP anomalies (9 holes). Intersections include:  3.72 metres @ 3.17 g/t Au  0.76 metres @ 9.03 g/t Au  0.41 metres @ 27.40 g/t Au	The Anomaly 1 structure has an open-ended strike of >6 kilometres, with gold mineralization indicated by rock chip sampling, widespread auriferous colluvium, and drilling. Only three widely-spaced lines drilled; all have strong hydrothermal alteration, and two have Au mineralization.	Systematic pole-dipole IP to define the more highly altered sections of the 6 kilometre zone (possible use of 3D IP). Wider-spaced IP to test strike extensions. Outline drilling of IP anomalies.
Mondarabe	Preliminary drilling of 2 soil anomalies (7 holes). Intersections include:  10.46 metres @ 2.01 g/t Au  3.52 metres @ 3.54 g/t Au  2.14 metres @ 31.15 g/t Au	1. Northern anomaly: two zones of workings with a combined strike of 1.6 kilometres, only one of which has been drilled on two lines. Possible strike extensions under transported cover.  2. Southern anomaly: underlain by S-fold in BIF. Two southerly limbs of the fold covered by colluvium and not yet drill tested.	Additional drilling on the northern anomaly. IP to test for strike extensions under cover.  Drilling on the southern part of the S-folded BIF.
Itali	Preliminary drilling over a strike of 480 metres (5 holes on 3 lines). Intersections include:  38.82 metres @ 2.66 g/t Au  21.20 metres @ 0.68 g/t Au  14.70 metres @ 1.68 g/t Au  3.95 metres @ 19.50 g/t Au	Mineralization open-ended to E, with 340 metres of potential strike before Kilogold boundary. Also possibly open-ended to W, under transported cover	IP to cover potential strike extensions. Additional drilling to test strike extensions and establish orientation and extension of plunging shoots

Prospect	Exploration Status	Exploration Potential	Next Steps
Matete	Soil geochemistry, rock chip sampling, augering, trenching in N and E. IP over lithostructurally favourable areas with transported overburden in SW.	7 drill targets proposed by Newmont based on IP anomalies. Extensive alluvial mining in E with source not yet located.	Prioritise and drill test IP anomalies in SW Additional IP in E.
Anguluku	Detailed stream sediment sampling. Soil geochemistry, rock chip sampling, augering, trenching (but problems with transported overburden). IP in geochemically anomalous areas.	Strong stream sediment anomalies associated with NW structure. Disseminated mineralization sampled within schists (e.g. trench with 5 metres @ 5.5 g/t Au). Well-defined IP chargeability anomalies associated with E-W structures and anomalous rock-chips.	Drill test IP anomalies.

### Joint Venture with Randgold

In January 2017, Loncor announced preliminary results of the geophysical airborne survey undertaken by Randgold as part of its Joint Venture with Loncor. A 10,013 line-kilometre helicopter borne electromagnetic ‘VTEM’ survey (the “**JV Survey**”) was completed over the Ngayu belt. The JV Survey was performed by Geotech Airborne Limited over the span of approximately five months. The JV Survey has provided a valuable additional layer of geological information through mapping the conductivity nature of the belt. The new data has assisted with resolving the lithological nature of the belt as well as assisting in identifying major structures and areas of structural complexity.

As per the joint venture agreement signed in January 2016, Randgold will manage and fund exploration of the exploration permit areas comprising the Ngayu project until the completion of a pre-feasibility study on any gold discovery meeting the investment criteria of Randgold. Subject to the DRC’s free carried interest requirements, Randgold would earn 65% of any discovery with Loncor holding the balance of 35%. Loncor will be required, from that point forward, to fund its pro-rata share in respect of the discovery in order to maintain its 35% interest or be diluted. Certain parcels of land within the Ngayu project surrounding and including the Makapela and Yindi prospects have been retained by Loncor and do not form part of the Joint Venture with Randgold. Randgold shall have certain preemptive rights over these two areas.

In May 2017, Loncor announced that exploration ground work had commenced on priority targets resulting from the JV Survey. Processed data and final products from the JV Survey have been combined with all other geological layers to complete an updated integrated geological map of the belt and to refine and prioritize areas of interest (“**AOIs**”). Figure 5 below highlights the preliminary four significant AOIs generated using pre-existing data sets and the VTEM data. The four preliminary AOIs have several kilometer-long mineralised strike potential focused on extension of known mineralized trends as well as areas of geochemical anomalies and structural complexity. The four priority AOIs identified are summarized below:

- Priority 30 kilometre long Imva Fold structure  
Extensive geochemical anomalies and several gold occurrences along major structures and complex deformation around intrusions.

- Yindi/Aguluku trend

20 kilometre long northwest extension of the Yindi/Aguluku mineralised trend with high soil and BLEG geochemical anomalies in the Yindi and Anguluku prospect areas. Younger Lindian cover may be obscuring any geochemical signature further along strike to the northwest. Structural complexity favourable for gold mineralised emplacement where the Banded Ironstone Formations (“BIFs”) wrap around the western side of a regional intrusive complex.

- Adumbi trend

20 kilometre mineralised northwest extension of the Adumbi trend with moderate BLEG anomalism along the entire AOI, in places associated with similar lithological setting as the Adumbi deposit.

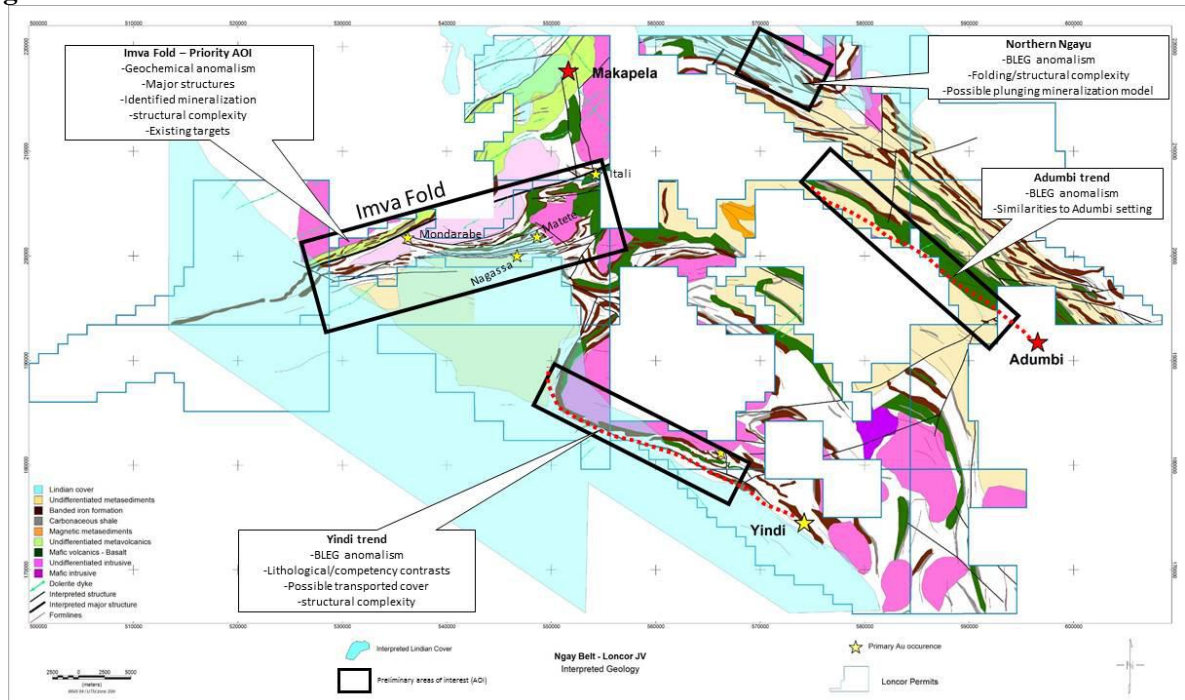
- Northern Ngayu

8 kilometre structural trend located in an area of complex folding of BIFs and carbonaceous shale, a localized area of high BLEG anomalism associated with a northwest trending fold axis, the setting and geochemical anomalism indicate the potential for fold plunging style mineralization.

The initial work program will have a two-pronged approach: a geological review of all existing targets; and ground follow-up of remotely and conceptually generated AOIs to generate additional new targets.

The belt scale exploration strategy of Randgold is to focus on the discovery of large high quality gold deposits by rapidly identifying and progressing targets that show the potential to meet these filters. Gold mineral resources have already been identified within the Ngayu greenstone belt in the Makapela and Adumbi deposits, and the objective is to further unlock the potential of the Ngayu greenstone belt for a world class discovery using cutting edge geophysics, geochemistry, structural interpretation and driven by an experienced and proven exploration team on the ground.

**Figure 5**



### ***North Kivu Project***

Loncor owns or controls a contiguous block of 47 exploration permits (or "**PRs**") covering an area of approximately 13,000 square kilometers to the northwest of Lake Edward in the North Kivu province in the DRC. The areas covered by these PRs are located between the two major gold belt terrains of the DRC: the Twangiza-Namoya gold belt, owned by Banro Corporation, and the Kilo-Moto gold belt, previously controlled by Moto Gold and now owned by Randgold and AngloGold Ashanti. In addition to gold, there are a number of alluvial platinum occurrences in the project area, including the type locality for the platinum selenide mineral luberoite near Lubero. To date, no primary source has been found for the alluvial platinum occurrences. Due to the security situation, all of the North Kivu PRs are currently under force majeure.

Historical data was compiled from the colonial period of alluvial gold mining and exploration which outlined ten gold prospects for follow-up, the most prospective being the Manguredjipa prospect where 300,000 ounces of alluvial gold was reportedly mined during the colonial period up to 1960. Other gold prospects warranting follow up included Lutunguru, Lubero, Makwasu, Lutela, Bilolo, Manzia, Mohanga and Ludjulu.

The Company's most explored gold prospect area within the North Kivu project area has been Manguredjipa.

### ***Manguredjipa***

Certain of the following disclosure relating to the Manguredjipa prospect is derived from the independent technical report (herein referred to as, the "**Manguredjipa Technical Report**") dated February 29, 2012 and entitled "National Instrument 43-101 Independent Technical Report on the Manguredjipa Gold Project, North Kivu Province, Democratic Republic of the Congo" prepared for Loncor by Venmyn. A copy of the Manguredjipa Technical Report can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

### **Property Description and Location**

The Manguredjipa area is located in the North Kivu Province of the DRC, approximately 80 kilometres northwest of Lake Edward, as shown in Figure 1. Manguredjipa forms part of Loncor's extensive North Kivu project area. The project was delineated from Loncor's program of historical records commissioned in 2008 as one of the primary targets to pursue and conduct further studies on. The project consists of four PRs 1380, 1381, 1718 and 1719, two of which (1380 and 1381) are owned by Loncor through its wholly-owned DRC subsidiary, while the other two are under option. The project was delineated into three prospective targets, namely Durba, Manguredjipa West and Muhanga.

Manguredjipa is situated approximately 60 kilometres (95 kilometres by road) northwest of Butembo and approximately 80 kilometres west of Beni and 395 kilometres west of Kisangani. Manguredjipa is situated approximately 220 kilometres northwest of Goma and 275 kilometres northwest of Kigali in Rwanda. The Manguredjipa area is regionally served by primitive infrastructure and serviced by a gravel road from Butembo.

According to DRC law, the surface rights and the mineral rights pertaining to one property are not separated. Loncor therefore owns or has option rights to the licences to both the surface and mineral rights to the Manguredjipa project.



In order to maintain a PR in good standing the title holder is required to make annual surface fee and surface tax payments to the State Treasury and the Provincial Tax authorities, respectively. However, all 47 PRs comprising the North Kivu Project are under force majeure where no fees or taxes are payable during the force majeure period.

#### Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Manguredjipa project area occurs to the south of the Mobissio and Mutumbi highland ridge which trends northwest-southeast across the region. This elevated ridge forms the main watershed of the region. Topographically the area is hilly with deeply incised valleys with an average elevation of 1,000 mamsl, ranging from 700 mamsl to 1,500 mamsl. The hilltops rise more than 50 metres above the surrounding drainage basins and in the western Lenda-Biaboy basins the hills are steeply sided with slope angles of up to 35°. The hills in the southern Eohe basin are less steeply sided, with slopes of 15°.

The area is covered by equatorial rain forests and thick grassy hilltops. Scattered rubber and palm tree plantations date from the colonial era.

Access to the project area is primarily by gravel road from Butembo. In the past, the area can be reached by light aircraft due to the existence of an airstrip near the old Manguredjipa camp. Other usable airstrips are situated in Butembo, Lubero and Beni. An 800 metre unused airstrip is located at Etaetu approximately 58 kilometres west of Manguredjipa but this airstrip is now covered by vegetation. The main road north from Goma to Beni also provides access to the towns of Lubero and Butembo. Existing infrastructure is best developed and therefore concentrated along the main road between Goma in the south and Beni in the north.

The nearest village to the site is Mangazi village, situated a few kilometres south of the main artisanal workings. The Manguredjipa property lies within the Lubero Territory under the *collectivité* of Bapere. The indigenous people are Bapiri and their main source of income is through subsistence farming and artisanal mining. Goma, Butembo and Beni are the principal commercial centres in the northeastern DRC.

In relation to the existing infrastructure of the North Kivu Province, the Manguredjipa project is well placed. The mode of transport for the general population is mainly trucks and buses on the road to Butembo, which has deteriorated since exploration began in 2008. The project's exploration team has utilised mainly utility vehicles and, where there are no roads, travel is by foot. In some cases a helicopter has to be utilised to gain access to remote areas.

The climate in the eastern DRC is tropical. It is hot and humid in the equatorial river basin and cooler and wetter in the eastern highlands. The wet season takes place in April to October and the dry season from December to February north of the equator. South of the equator the wet season is from November to March and the dry season from April to October. The climate facilitates exploration and mining activities all year round. Exploration is more challenging during the wet season, as roads become muddy and slippery, pits are rapidly filled by water and work in the field becomes difficult.

#### Historical Exploration

During the colonial period up until 1960, the Belgians sampled rivers and tributaries using sluices for gold and diamonds, recording their findings onto detailed plans held at the Tervuren Museum in Brussels. The North Kivu area was historically a significant producer of alluvial gold and platinum. Exploration and mining took place from 1923 to 1960 when low gold prices and civil unrest caused the cessation of activities.

Alluvial gold was first reported in the North Kivu region in 1913 and reports of gold discoveries continued into the 1920s. Regional infrastructure to support the mining industry was established from the 1930s with the town of Butembo becoming the main mining centre in the region. Intense exploration for alluvial and primary precious metals was conducted over a period of about fifty years. Exploration included both surface and underground investigations using systematic sampling, pitting and trenching.

Historic exploration and production on the Manguredjipa project area was from the Lenda drainage which was explored and exploited for alluvial gold from 1925 to 1960. The term “Division Lenda” in various reports, has been noted as referring to the entire goldfield including Manguredjipa, Motokolea, Mabea, Makwasu, Eohe and Biaboy

### Geology and Mineralisation

The regional geological history of the DRC is directly relevant to the prospectivity of the North Kivu region. Several broad geological terrains occur in the North Kivu and South Kivu districts with specific, genetically related metallogenic provinces. The northern area consists of an Archaean greenstone belt and granite-gneiss basement (3.5-3.2Ga), while the central and southern parts are comprised of Mesoproterozoic (1.6Ga-950Ma) mobile belts formed during the Kibaran orogeny dated at 1,400-950Ma.

The deposit occurs within the Kibaran orogenic belt which contains renowned metallogenic provinces genetically related to the protracted history of tectonism, volcanism and metamorphism of the belt. The local geology of the Manguredjipa project area consists of E-W trending sequences of arkoses, conglomeratic arkose, schists and basic intrusive, as determined from literature studies.

The primary mineralisation appears to be typical of that associated with greenstone and mobile belts, where syngenetic gold has been mobilised during tectonism and complex structural and chemical controls. Concentration and re-deposition of ore minerals has occurred in veins and disseminated mineralisation along structural or chemical features.

These processes are consistent with the complex and protracted geological and tectonic history of the Kibaran Belt and the genetic model is further complicated by magmatic intrusive events that introduced epithermal fluids, heat sources and additional metallic elements. The areas are considered highly prospective as only limited exploration has taken place using modern exploration techniques.

### Loncor Exploration (2008 to 2012)

Exploration by Loncor commenced in 2008 with the interpretation of airborne magnetic and radiometric surveys which were flown over a portion of the Loncor owned PRs by New Resolution Geophysics (NRG) in July and August 2007. The area covered by the survey is located 390 kilometres east of Kisangani and 230 kilometres north of Goma. The Manguredjipa licence area covers almost the entire southern half of the geophysical survey area. The combined geophysical survey identified 14 potential exploration targets.

In addition, historical data during colonial times was evaluated from the Tervuren Museum in Brussels from which a number of priority gold targets were outlined including Lutunguru, Lubero, Makwasu, Lutela, Bilolo, Manzia, Muhanga and Ludjulu.

During 2008, Venmyn carried out an analysis on historical stream sediment sampling data from the Manguredjipa project. This analysis was graphically presented utilising Surfer® software to create a grade model of the Manguredjipa and surrounding environs. The Surfer® model of gold grade

distribution for Manguredjipa showed a clear zone of anomalously high gold grades developed across the area trending in a southwest-northeast direction. The background gold grades range between 0.2 to 1.0g/m<sup>3</sup> and the anomalous areas reach a maximum of 4.2g/m<sup>3</sup>.

In August 2009, Loncor embarked on geochemical stream sediment, soil and rock sampling programs based on the combined results from the geophysical interpretation and the stream sediment grade distribution models. A one kilometre by two kilometre grid was designed initially for a target area, near the Durba adit, north of the base camp at Manguredjipa.

From 2010 until October 2011, the focus was on the Durba, Manguredjipa West and Muhanga prospects. Another prominent artisanal adit, named the Mont Blue Adit, was discovered within the Muhanga prospect. The following was carried out during this period:

- 9,490 metres of soil gridding;
- 1,308 metres of trenching;
- 130 metres of adit mapping; and
- 260 metres of other channel mapping.
- 35 stream samples;
- 58 Bulk Leach Extractable Gold (BLEG) samples;
- 2,385 soil samples;
- 1,669 rock grab samples;
- 130 adit channel samples;
- 818 trench channel samples; and
- 202 other channel samples.

#### 2012 Exploration Activities at Manguredjipa

Exploration continued in the Manguredjipa area until early June 2012, when activities were suspended to conserve funds for the priority Ngayu project. Field work focused mainly on the Muhanga prospect. In order to better assess continuity of the mineralization, a channel sampling program at the Muhanga was completed in the first quarter of 2012. A total of 780 metres were sampled by means of a mechanical rock cutter, in two phases: (a) channels orientated N-S, i.e. normal to the lithological strike and long-axis of the rock chip anomaly, and (b) channels orientated E-W, normal to the dominant quartz vein direction. The rock sample results indicated that the mineralization is patchy and the potential to generate a significant mineral resource was low and did not warrant follow up drilling.

#### 2013-2017 Exploration Activities at Manguredjipa

No exploration was undertaken on the North Kivu project due to the force majeure situation in respect of the PRs and in order to focus exploration and funds on the priority Ngayu project.

#### Exploration Plans for the North Kivu Project

Exploration on the North Kivu project will be dependent on the lifting of force majeure on the priority PRs so that groundwork can commence and on sufficient funding being available for exploration. The priority area would be Lutunguru prospect where extensive gold artisanal activity including hardrock mining is currently being undertaken.

### **Qualified Person**

William R. Wilson, a director of the Company and a "qualified person" as such term is defined in National Instrument 43-101, has reviewed and approved the technical information in this Form 20-F relating to the Company's mineral projects.

### **Item 4A. Unresolved Staff Comments**

Not applicable.

### **Item 5. Operating and Financial Review and Prospects**

See the management's discussion and analysis of the Company for the year ended December 31, 2017 incorporated by reference into this Form 20-F as Exhibit 15.1.

#### **A. Operating Results**

See the management's discussion and analysis of the Company for the year ended December 31, 2017 incorporated by reference into this Form 20-F as Exhibit 15.1.

#### **B. Liquidity and Capital Resources.**

See the management's discussion and analysis of the Company for the year ended December 31, 2017 incorporated by reference into this Form 20-F as Exhibit 15.1.

#### **C. Research and Development, Patents and Licenses, etc.**

The Company is a mineral exploration company and does not carry on any research and development activities.

#### **D. Trend Information**

None of the Company's assets are currently in production or generate revenue. However, the cyclical nature of the prices of metals, particularly the price of gold, is reasonably likely to have an effect on the Company's liquidity and capital resources. If the price of gold or the worldwide demand for gold decreases, there would likely be an adverse effect on the Company's ability to raise additional funding and attract exploration partners for its projects. In recent years, junior mineral exploration companies have experienced difficulties raising new money, and capital raising activities completed by such companies have often resulted in substantial dilution to existing shareholders.

#### **E. Off-Balance Sheet Arrangements.**

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

## F. Tabular Disclosure of Contractual Obligations

The following information is as of December 31, 2017:

Contractual Obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt	-	-	-	-	-
Capital (finance) lease obligations	-	-	-	-	-
Operating lease obligations	US\$294,007	US\$176,404	US\$117,603	-	-
Purchase obligations	-	-	-	-	-
Other long-term liabilities	-	-	-	-	-
Loan	US\$122,753	US\$122,753	-	-	-
<b>Total</b>	<b>US\$416,760</b>	<b>US\$299,157</b>	<b>US\$117,603</b>	<b>-</b>	<b>-</b>

## G. Safe Harbor

Not applicable.

## Item 6. Directors, Senior Management and Employees

### A. Directors and Senior Management

The directors and senior management of the Company and term of continuous service are as follows:

<u>Name</u>	<u>Position(s) with the Company</u>	<u>Served as a Director Since</u>
Arnold T. Kondrat	President, Chief Executive Officer and a director	August 24, 1993
Donat K. Madilo	Chief Financial Officer	Not applicable
Fabrice Matheys	General Manager, DRC	Not applicable
Geoffrey G. Farr	General Counsel and Corporate Secretary	Not applicable
Maurice J. Colson <sup>(1) (2)</sup>	Director	March 31, 2011
Richard J. Lachcik <sup>(1) (2)</sup>	Director	June 29, 1998
William R. Wilson <sup>(1) (2)</sup>	Director	July 15, 1997

(1) Member of the audit committee of the board of directors of the Company.

(2) Member of the compensation committee of the board of directors of the Company.

**Arnold T. Kondrat** - Mr. Kondrat is the Company's principal founder and has over 30 years of management experience in the resource exploration industry. During this time he has been a senior officer and director of a number of publicly-traded resource exploration companies, in both Canada and

the United States, including principal founder of several of these companies. In addition to his positions with Loncor, Mr. Kondrat is also Chief Executive Officer, President and a director of Gentor Resources Inc. (a mineral exploration company listed on the TSX Venture Exchange), a director of Kuuhubb Inc. (a company listed on the TSX Venture Exchange focused on lifestyle and mobile video game applications), and President of Sterling Portfolio Securities Inc. (a private venture capital firm based in Toronto).

**Donat K. Madilo** – Mr. Madilo has over 28 years of experience in accounting, administration and finance in the DRC and North America. He is Senior Vice President, Commercial & DRC Affairs of Banro Corporation (a gold mining company in the DRC) (and was previously Chief Financial Officer of Banro Corporation), and Chief Financial Officer of Gentor Resources Inc. and Kuuhubb Inc. Mr. Madilo's previous experience includes director of finance of Coocec-ceaz (a credit union chain in the DRC) and senior advisor at Conseil Permanent de la Comptabilité au Congo, the accounting regulation board in the DRC. He holds a Bachelor of Commerce (Honours) degree from Institut Supérieur de Commerce de Kinshasa, a B.Sc. (Licence) in Applied Economics from University of Kinshasa and a Masters of Science in Accounting (Honours) from Roosevelt University in Chicago.

**Fabrice Matheys** – Mr. Matheys is a professional geologist with more than 25 years of experience in Africa. Prior to his role with Loncor, Mr. Matheys served as Exploration Geologist for De Beers in Botswana, West Africa and South Africa and spent eight years as Exploration Manager in the DRC with exploration programs focused on gold, diamonds, niobium and tungsten.

**Geoffrey G. Farr** – From February 2011 to present, Mr. Farr has been Vice President, General Counsel and Corporate Secretary of Banro Corporation, and General Counsel to and Corporate Secretary of each of Loncor and Gentor Resources Inc. He is also General Counsel to and Corporate Secretary of Kuuhubb Inc. Prior to February 2011, Mr. Farr practised corporate and securities law in Toronto for 17 years, which included extensive experience in representing public companies. He holds a LL.B. from the University of Ottawa and a B.Comm. from Queen's University.

**Maurice J. Colson** – Mr. Colson has worked in the investment industry for more than 38 years and was for many years managing director for a major Canadian investment dealer in the United Kingdom. He is actively involved in providing strategic counsel and assistance with financing to emerging private and public companies in Canada and to Canadian companies operating in China, Africa and South America. He is a director, and a member of the audit committee, of several Toronto Stock Exchange and TSX Venture Exchange listed companies, and is the former President and Chief Executive Officer of the TSX Venture-listed company, Lithium One Resources. Mr. Colson holds a Masters of Business Administration degree from McGill University in Montreal.

**Richard J. Lachcik** – Prior to his retirement in 2017, Mr. Lachcik practiced corporate and securities law in Toronto, Canada for over 30 years. His practice included extensive experience in representing public companies, as well as acting for a number of investment dealers. He has been an officer and director of a number of Canadian public resource companies.

**William R. Wilson** – Mr. Wilson is Director, Executive Vice President and Chief Financial Officer of TUVERA Exploration Inc. TUVERA is a private B.S. holding company for the ARVENUT exploration properties in Nevada, Utah and New Mexico. He has created and managed 11 mining companies over 25 years with properties in the U.S., Canada, Russia, the DRC and Ukraine. Mr. Wilson is a Qualified Professional in Mining, Metallurgy/Processing and Environmental Compliance (Member no. 01063QP) of the Mining and Metallurgical Society of America. He has a degree in Metallurgical Engineering from the Colorado School of Mines and a Masters of Business Administration degree from the University of Southern California. Mr. Wilson has been involved in the mining industry for more than 35 years. He

has been a director and senior officer of a number of public companies in both Canada and the United States, and has been a member of the audit committee of several of these companies.

There are no family relationships among any of the Company's directors or senior management.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any person referred to above was selected as a director or officer of the Company.

The following directors of the Company are presently directors of other issuers that are public companies:

<u>Name of Director</u>	<u>Names of Other Issuers</u>
Maurice J. Colson	Aberdeen International Inc. Stetson Oil & Gas Ltd. Kuuhubb Inc. China Goldcorp Ltd.
Arnold T. Kondrat	Kuuhubb Inc. Gentor Resources Inc.
Richard J. Lachcik	Gentor Resources Inc.
William R. Wilson	Gentor Resources Inc.

Other than the board of directors, the Company does not have an administrative, supervisory or management body.

## **B. Compensation**

### **Named Officers**

#### **Summary Compensation Table**

The following table sets forth certain information with respect to compensation paid to the officers of the Company set out in the following table (the "NEOs") for the financial year ended December 31, 2017.

<b>Name and Principal Position</b>	<b>Year</b>	<b>Salary (US\$)</b>	<b>Share-based awards (US\$)</b>	<b>Option-based awards <sup>(2)</sup> (US\$)</b>	<b>Non-equity incentive plan compensation - Annual Incentive Plan (US\$)</b>	<b>All other Compensation (US\$)</b>	<b>Total Compensation (US\$)</b>
Arnold T. Kondrat Chief Executive Officer and President	2017	\$92,496 <sup>(1)</sup>	N/A	Nil	Nil	\$52,291 <sup>(3)</sup>	\$144,787
Donat K. Madilo Chief Financial Officer	2017	Nil	N/A	Nil	Nil	Nil	Nil

Name and Principal Position	Year	Salary (US\$)	Share-based awards (US\$)	Option-based awards <sup>(2)</sup> (US\$)	Non-equity incentive plan compensation - Annual Incentive Plan (US\$)	All other Compensation (US\$)	Total Compensation (US\$)
Fabrice Matheys General Manager, DRC	2017	N/A	N/A	Nil	Nil	\$12,000 <sup>(4)</sup>	\$12,000
Geoffrey G. Farr General Counsel and Corporate Secretary	2017	\$33,600	N/A	Nil	Nil	\$2,843 <sup>(5)</sup>	\$36,443

- (1) The salary for Mr. Kondrat is paid in Canadian dollars. The U.S. dollar amount set out in the above table for the salary of Mr. Kondrat was calculated using an average exchange rate for 2017 of Cdn\$1.00 = US\$0.7708.
- (2) No stock options were awarded in 2017.
- (3) This amount represents accrued Retention Allowance (as such term is defined below) of US\$7,708 and life insurance premiums paid by the Company of US\$44,583.
- (4) This amount represents consulting fees.
- (5) This amount represents accrued Retention Allowance (as such term is defined below).

Loncort employees are currently entitled to receive a retention allowance (the "**Retention Allowance**") on termination of their employment with the Company, provided the employee has been with the Company for a minimum of two years and provided that termination is not due to misconduct (in the case of misconduct, the Retention Allowance is forfeited). The amount of the Retention Allowance is equal to the employee's monthly base salary multiplied by the number of years the employee was with the Company (up to a maximum of 10 years), with any partial year being recognized on a pro rata basis.

#### Incentive Plan Awards

The following table provides details regarding outstanding option and share-based awards held by the NEOs as at December 31, 2017:

<i>Outstanding share-based awards and option-based awards</i>							
	Option-based Awards					Share-based Awards	
Name	Option grant date	Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price <sup>(2)</sup> (\$)	Option expiration date	Aggregate value of unexercised in-the-money options <sup>(3)</sup> (US\$)	Number of shares or units that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)
Arnold T. Kondrat	Mar. 11, 2016	500,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$10,000	N/A	N/A
Donat K. Madilo	Mar. 11, 2016	500,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$10,000	N/A	N/A
Fabrice Matheys <sup>(4)</sup>	N/A	-	-	-	-	N/A	N/A
Geoffrey G. Farr	Mar. 11, 2016	500,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$10,000	N/A	N/A



- (1) 1/4 of the stock options granted to each optionee vest on each of the 6 month, 12 month, 18 month and 24 month anniversaries of the grant date.
- (2) The exercise price of each of the stock options held by the officers is in Canadian dollars. The U.S. dollar figures set out in this column of the table were calculated using the exchange rate on Friday, December 29, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars of Cdn\$1.00 = US\$0.7971.
- (3) This is based on (a) the closing sale price per share of the Company's common shares on Friday, December 29, 2017 of Cdn\$0.09 as reported by the Toronto Stock Exchange, and (b) converting that price into a price of US\$0.07 using the exchange rate on December 29, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars of Cdn\$1.00 = US\$0.7971.
- (4) Mr. Matheys did not hold any stock options of the Company as at December 31, 2017.

The following table provides details regarding outstanding option-based awards, share-based awards and non-equity incentive plan compensation held by the NEOs, which vested and/or were earned during the year ended December 31, 2017:

<i>Incentive plan awards - value vested or earned during the year</i>			
<b>Name</b>	<b>Option-based awards - Value vested during the year <sup>(1)</sup> (US\$)</b>	<b>Share-based awards - Value vested during the year (US\$)</b>	<b>Non-equity incentive plan compensation - Value earned during the year (US\$)</b>
Arnold T. Kondrat	\$12,500	N/A	N/A
Donat K. Madilo	\$12,500	N/A	N/A
Fabrice Matheys	Nil	N/A	N/A
Geoffrey G. Farr	\$12,500	N/A	N/A

- (1) Identifies the aggregate dollar value that would have been realized by the officer if the officer had exercised all options exercisable under the option-based award on the vesting date(s) thereof.

### **Non-Executive Directors**

The directors of the Company were not paid any fees by the Company during the financial year ended December 31, 2017 for their services in their capacity as directors. The Company's directors are entitled to receive stock option grants under the Company's Stock Option Plan, as recommended by the compensation committee and determined by the board of directors of the Company (the "**Board**"). The exercise price of such stock options is determined by the Board, but shall in no event be less than the last closing price of the Company's common shares on the Toronto Stock Exchange prior to the date the stock options are granted. No stock options of the Company were granted during the financial year ended December 31, 2017.

All directors receive reimbursement for reasonable out-of-pocket expenses related to their attendance at meetings or other expenses incurred for Company purposes.

## Incentive Plan Awards

The following table provides details regarding the outstanding option and share based awards held as at December 31, 2017 by the directors of the Company other than Mr. Kondrat. See "Named Officers - Incentive Plan Awards" above for details regarding the outstanding stock options held by Mr. Kondrat as at December 31, 2017.

<i>Outstanding share-based awards and option-based awards</i>							
	Option-based Awards					Share-based Awards	
Name	Option grant date	Number of securities underlying unexercised options <sup>(1)</sup> (#)	Option exercise price <sup>(2)</sup> (\$)	Option expiration date	Aggregate value of unexercised in-the-money options <sup>(3)</sup> (US\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (US\$)
Maurice J. Colson	Mar. 11, 2016	300,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$6,000	N/A	N/A
Richard J. Lacheik	Mar. 11, 2016	300,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$6,000	N/A	N/A
William R. Wilson	Mar. 11, 2016	300,000	Cdn\$0.06 (US\$0.05)	Mar. 11, 2021	\$6,000	N/A	N/A

- (1) 1/4 of the stock options granted to each optionee vest on each of the 6 month, 12 month, 18 month and 24 month anniversaries of the grant date.
- (2) The exercise price of each of the stock options held by the directors is in Canadian dollars. The U.S. dollar figures set out in this column of the table were calculated using the exchange rate on Friday, December 29, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars of Cdn\$1.00 = US\$0.7971.
- (3) This is based on (a) the closing sale price per share of the Company's common shares on Friday, December 29, 2017 of Cdn\$0.09 as reported by the Toronto Stock Exchange, and (b) converting that price into a price of US\$0.07 using the exchange rate on December 29, 2017 as reported by the Bank of Canada for the conversion of Canadian dollars into U.S. dollars of Cdn\$1.00 = US\$0.7971.

The following table provides details regarding outstanding option-based awards, share-based awards and non-equity incentive plan compensation in respect of the directors of the Company other than Mr. Kondrat, which vested and/or were earned during the year ended December 31, 2017. See "Named Officers - Incentive Plan Awards" above for details regarding the outstanding option-based awards, share-based awards and non-equity incentive plan compensation in respect of Mr. Kondrat, which vested and/or were earned during the year ended December 31, 2017.

<i>Incentive plan awards - value vested or earned during the year</i>			
Name	Option-based awards - Value vested during the year <sup>(1)</sup> (US\$)	Share-based awards - Value vested during the year (US\$)	Non-equity incentive plan compensation - Value earned during the year (US\$)
Maurice J. Colson	\$7,500	N/A	N/A
Richard J. Lachcik	\$7,500	N/A	N/A
William R. Wilson	\$7,500	N/A	N/A

- (1) Identifies the aggregate dollar value that would have been realized by the director if the director had exercised all options exercisable under the option-based award on the vesting date(s) thereof.

### **Other Information**

Neither the Company nor its subsidiaries provides pension, retirement or similar benefits.

### **C. Board Practices**

Each director of the Company holds office until the close of the next annual meeting of shareholders of the Company following his election or appointment, unless his office is earlier vacated in accordance with the by-laws of the Company. See Item 6.A. of this Form 20-F for the dates the directors of the Company were first elected or appointed to the Company's board of directors.

### **Employment Contracts with Executive Officers – Termination Benefits**

There is no contract, agreement, plan or arrangement that provides for payments to an executive officer of the Company at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, retirement, a change in control of the Company or a change in an executive officer's responsibilities, other than the Retention Allowance discussed above. However, the Board may, in its sole discretion, accelerate the vesting of currently outstanding stock options granted under the Company's Stock Option Plan in the event a take-over bid is made for the common shares of the Company, any change of control of the Company occurs or any other transaction involving the Company occurs (see "Named Officers - Incentive Plan Awards" under Item 6.B. of this Form 20-F with respect to the stock options of the Company held by the executive officers of the Company; see also "Incentive Stock Option Plan" under Item 6.E. of this Form 20-F regarding the terms of the Company's Stock Option Plan).

### **Audit Committee**

The Board has an audit committee (the "**Audit Committee**"), the members of which are Maurice J. Colson, Richard J. Lachcik and William R. Wilson. Each member of the Audit Committee is independent within the meaning of Canadian National Instrument 52-110 - Audit Committees ("**NI 52-110**") and Section 803A of the NYSE MKT Company Guide. Each member of the Audit Committee is "financially literate" within the meaning of NI 52-110. At no time since the commencement of the Company's financial year ended December 31, 2017 was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board. The Audit Committee's charter is incorporated by reference into this Form 20-F as Exhibit 1.3.

### **Compensation Committee**

The Board has a compensation committee, the members of which are Maurice J. Colson, Richard J. Lachcik and William R. Wilson. See the discussion above under "Audit Committee" with respect to the independence of the members of the compensation committee. The primary function of the compensation committee is to assist the Board in fulfilling its oversight responsibilities with respect to: (a) human resources policies; and (b) executive compensation. To carry out its oversight responsibilities, the compensation committee's duties include the following:

1. review and recommend for approval to the Board, the Company's key human resources policies;
2. review and recommend for approval to the Board the compensation and benefits policy and plans (including incentive compensation plans) for the Company;
3. review and recommend to the Board the employment agreements of the Company's executive officers;
4. evaluate annually the performance of the Chief Executive Officer of the Company and recommend to the Board his annual compensation package and performance objectives;
5. review annually and recommend to the Board the annual compensation package and performance objectives of the other executive officers of the Company;
6. review annually and recommend to the Board the annual salaries (or percentage change in salaries) for the Company's non-executive staff;
7. review annually and recommend to the Board the adequacy and form of the compensation of the Company's directors and be satisfied the compensation realistically reflects the responsibilities and risk involved in being such a director;
8. review annually and recommend for approval to the Board the executive compensation disclosure of the Company in its information circular, and be satisfied that the overall compensation philosophy and policy for senior officers is adequately disclosed and describes in sufficient detail the rationale for salary levels, incentive payments, share options and all other components of executive compensation as prescribed by applicable securities laws;
9. determine grants of options to purchase shares of the Company under the Company's Stock Option Plan and recommend same to the Board for approval;
10. engage, at the Company's expense, any external professional or other advisors which it determines necessary in order to carry out its duties hereunder; and
11. perform any other activities consistent with this mandate as the compensation committee or the Board deems necessary or appropriate.

### **D. Employees**

The following sets out the number of employees which the Company and its subsidiaries had as at December 31, 2017, December 31, 2016 and December 31, 2015, providing a breakdown of these employees by location:

<u>Location</u>	<u>Dec. 31, 2017</u>	<u>Dec. 31, 2016</u>	<u>Dec. 31, 2015</u>
Loncor office in Toronto, Canada	4	4	4
Loncor office in Beni, DRC	1	2	2
Loncor office in Kinshasa, DRC	1	1	2
Ngayu project	-	-	-
North Kivu project	-	-	-
<b>Totals:</b>	<b>6</b>	<b>7</b>	<b>8</b>

Neither the Company nor any of its subsidiaries has any unionized employees.

Neither the Company nor any of its subsidiaries employ a significant number of temporary employees.

#### **E. Share Ownership**

The following table sets out the number of common shares of the Company held by the Company's directors and officers as of March 21, 2018 (including the percentage of the Company's outstanding common shares represented by such shares). See Item 6.B. of this Form 20-F for information regarding the stock options of the Company held by the Company's directors and officers as of March 21, 2018.

<u>Name</u>	<u>Number of Common Shares Owned</u>	<u>Percentage of Outstanding Common Shares</u>
Maurice J. Colson	Nil	Nil
Geoffrey G. Farr	105,000	0.07%
Arnold T. Kondrat	74,300,818	46.82%
Richard J. Lachcik	11,666	0.01%
Donat K. Madilo	100,000	0.06%
Fabrice Matheys	Nil	Nil
William R. Wilson	3,333	0.002%

#### **Incentive Stock Option Plan**

The Company has a Stock Option Plan (the "**Plan**"), the principal purposes of which are: (A) to retain and attract qualified directors, officers, employees and consultants which the Company and its subsidiaries require; (B) to promote a proprietary interest in the Company and its subsidiaries; (C) to provide an incentive element in compensation; and (D) to promote the development of the Company and its subsidiaries. The following summarizes the terms of the Plan:

- (a) Stock options may be granted from time to time by the Board to such directors, officers, employees and consultants of the Company or a subsidiary of the Company, and in such numbers, as are determined by the Board at the time of the granting of the stock options.
- (b) The number of common shares of the Company reserved from time to time for issuance to optionees pursuant to stock options granted under the Plan shall not exceed 8,000,000 common shares (as at the date of this Form 20-F, there are outstanding under the Plan 2,400,000 stock options entitling the holders to purchase an aggregate of 2,400,000 common shares of the Company (which is equal to 1.51% of the number of common shares of the Company which are outstanding as at the date of this Form 20-F), such that the number of new stock options currently available for future grants under the Plan is stock options to purchase an aggregate of 5,600,000 common shares of the Company (which is equal to 3.53% of the number of common shares of the Company which are outstanding as at the date of this Form 20-F).
- (c) The exercise price of each stock option shall be determined in the discretion of the Board at the time of the granting of the stock option, provided that the exercise price shall not be lower than the "Market Price". "Market Price" means the last closing price of the common shares of the Company on the Toronto Stock Exchange prior to the date the stock option is granted.
- (d) The total number of common shares of the Company issued to "insiders" (as such term is defined under the Ontario *Securities Act*) of the Company, within any one year period, under all "security based compensation arrangements" (within the meaning of the rules of the Toronto Stock Exchange) of the Company shall not exceed 10% of the total number of outstanding common shares of the Company.
- (e) The total number of common shares of the Company issuable to "insiders" (as such term is defined under the Ontario *Securities Act*) of the Company, at any time, under all "security based compensation arrangements" (within the meaning of the rules of the Toronto Stock Exchange) of the Company shall not exceed 10% of the total number of outstanding common shares of the Company.
- (f) All stock options shall be for a term determined in the discretion of the Board at the time of the granting of the stock options, provided that no stock option shall have a term exceeding five years and, unless the Board at any time makes a specific determination otherwise (but subject to the terms of the Plan), a stock option and all rights to purchase common shares of the Company pursuant thereto shall expire and terminate immediately upon the optionee who holds such stock option ceasing to be at least one of a director, officer or employee of or consultant to the Company or a subsidiary of the Company, as the case may be.
- (g) Unless otherwise determined by the Board at the time of the granting of the stock options, one-quarter of the stock options granted to an optionee vest on each of the 6 month, 12 month, 18 month and 24 month anniversaries of the grant date.
- (h) Except in limited circumstances in the case of the death of an optionee, stock options shall not be assignable or transferable.
- (i) Disinterested shareholder approval is required prior to any reduction in the exercise price of a stock option if the optionee holding such stock option is an insider of the Company.

- (j) The Company may amend from time to time 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 Toronto Stock Exchange (to the extent such consent is required).
- (k) The Board has full and final discretion to interpret the provisions of the Plan, and all decisions and interpretations made by the Board shall be binding and conclusive upon the Company and all optionees, subject to shareholder approval if required by the Toronto Stock Exchange.
- (l) The Plan does not provide for financial assistance by the Company to an optionee in connection with an option exercise.

The Board may, in its sole discretion, accelerate the vesting of currently outstanding stock options granted under the Plan in the event a take-over bid is made for the common shares of the Company, any change of control of the Company occurs or any other transaction involving the Company occurs.

A copy of the Plan is incorporated by reference into this Form 20-F as Exhibit 4.1.

## **Item 7. Major Shareholders and Related Party Transactions**

### **A. Major Shareholders**

To the knowledge of management of the Company, based on a review of publicly available filings as at March 21, 2018, the following are the only persons or companies who beneficially own 5% or more of the outstanding common shares of the Company.

<b><u>Name of Shareholder</u></b>	<b><u>Number of Common Shares Owned</u></b>	<b><u>Percentage of Outstanding Common Shares</u> <sup>(1)</sup></b>
Arnold T. Kondrat <sup>(2)</sup>	74,300,818	46.82%
Newmont Canada FN Holdings ULC <sup>(3)</sup>	14,550,000	9.17%

(1) The information in this column of the table is based on the number of common shares of the Company outstanding as at March 21, 2018.

(2) Mr. Kondrat is Chief Executive Officer, President and a director of the Company. As at March 21, 2017, Mr. Kondrat held 74,300,818 (or 46.82%) of the outstanding common shares of the Company. As at March 21, 2016, Mr. Kondrat held 74,300,818 (or 49.1%) of the outstanding common shares of the Company. As at March 20, 2015, Mr. Kondrat held 14,300,818 (or 16.94%) of the outstanding common shares of the Company. See Item 4A. of this Form 20-F ("History and Development of the Company") with respect to the private placement transaction pursuant to which Mr. Kondrat acquired 60,000,000 common shares of the Company in February 2016.

(3) See Item 4A. of this Form 20-F ("History and Development of the Company") which sets out the transactions pursuant to which Newmont Canada FN Holdings ULC acquired the common shares of the Company currently held by it as reflected in the above table.

None of the shareholders disclosed above have any voting rights with respect to their respective common shares of the Company that are different from any other holder of common shares of the Company.

As of March 21, 2018, based on the Company's shareholders' register, there were 79 shareholders of record of the Company's common shares in the United States, holding 8.57% of the outstanding common shares of the Company.

### **Control by Foreign Government or Other Persons**

To the best of the knowledge of management of the Company, the Company is not directly or indirectly owned or controlled by another corporation, any foreign government, or any other natural or legal person, severally or jointly.

### **Change of Control**

As of the date of this Form 20-F, there are no arrangements known to the Company which may at a subsequent date result in a change in control of the Company.

## **B. Related Party Transactions**

In February 2015, the Company closed a non-brokered private placement of 8,000,000 common shares of the Company at a price of Cdn\$0.06 per share for gross proceeds to the Company of Cdn\$480,000. Arnold T. Kondrat purchased 3,500,000 of the shares issued under this placement. In March 2015, the Company closed a non-brokered private placement of 3,000,000 common shares of the Company at a price of Cdn\$0.06 per share for gross proceeds to the Company of Cdn\$180,000. Mr. Kondrat purchased 500,000 of the shares issued under this placement. In February 2016, the Company closed a non-brokered private placement of 67,000,000 common shares of the Company at a price of Cdn\$0.015 per share for gross proceeds of Cdn\$1,005,000. Mr. Kondrat purchased 60,000,000 of the shares issued under this private placement. As well, a portion of the proceeds from the said February 2016 private placement were used to repay short term, non-interest bearing loans totaling Cdn\$825,000 provided to the Company by Mr. Kondrat. Mr. Kondrat is President, Chief Executive Officer and a director of the Company and, as of the date of this Form 20-F, holds 74,300,818 (or 46.82%) of the outstanding common shares of the Company.

## **C. Interests of Experts and Counsel**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## **Item 8. Financial Information**

### **A. Consolidated Statements and Other Financial Information**

#### **Consolidated Financial Statements**

The consolidated financial statements of the Company are filed as part of this annual report under Item 18.

#### **Legal or Arbitration Proceedings**

The Company is not aware of any current or pending material legal or arbitration proceeding to which it is or is likely to be a party or of which any of its properties are or are likely to be the subject.

The Company is not aware of any material proceeding in which any director, member of senior management or affiliate of the Company is either a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.



### **Dividend Policy**

The Company has not paid any dividend or made any other distribution in respect of its outstanding shares and management does not anticipate that the Company will pay dividends or make any other distribution in respect on its shares in the foreseeable future. The Company's Board, from time to time, and on the basis of any earnings and the Company's financial requirements or any other relevant factor, will determine the future dividend or distribution policy of the Company with respect to its shares.

### **B. Significant Changes**

There have been no significant changes in the affairs of the Company since the date of the audited annual consolidated financial statements of the Company as at and for the year ended December 31, 2017, other than as discussed in this Form 20-F.

## **Item 9. The Offer and Listing**

### **A. Offer and Listing Details**

The Company's common shares (a) are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol "LN", and (b) are quoted on the OTC Pink tier of the OTC Link under the symbol "LONCF". The Company's common shares commenced trading on the TSX on April 26, 2013. Prior to April 26, 2013, such shares traded on the TSX Venture Exchange (the "TSX-V"). From April 27, 2011 to April 24, 2014, the Company's common shares were traded in the United States on the NYSE American, from April 25, 2014 to April 30, 2015, the Company's common shares traded in the United States on the OTCQB tier of the OTC Link, and since May 1, 2015, the Company's common shares have traded in the United States on the OTC Pink tier of the OTC Link.

### **Toronto Stock Exchange/TSX Venture Exchange**

The following table discloses the annual high and low sales prices in Canadian dollars for the common shares of the Company for the five most recent financial years of the Company as traded on the TSX and TSX-V, as applicable.

<b>Year</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>
2017	\$0.200	\$0.075
2016	\$0.250	\$0.015
2015	\$0.130	\$0.020
2014	\$0.270	\$0.040
2013	\$0.820	\$0.100

The following table discloses the high and low sales prices in Canadian dollars for the common shares of the Company for each quarterly period within the two most recent financial years of the Company as traded on the TSX:

<b>Quarter Ended</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>
December 31, 2017	\$0.110	\$0.085
September 30, 2017	\$0.165	\$0.085
June 30, 2017	\$0.200	\$0.145
March 31, 2017	\$0.200	\$0.110
December 31, 2016	\$0.200	\$0.090
September 30, 2016	\$0.250	\$0.160
June 30, 2016	\$0.200	\$0.060
March 31, 2016	\$0.080	\$0.015

The following table discloses the monthly high and low sales prices in Canadian dollars for the common shares of the Company for the most recent six months as traded on the TSX:

<b>Month</b>	<b>High (Cdn\$)</b>	<b>Low (Cdn\$)</b>
March 2018	\$0.105	\$0.085
February 2018	\$0.110	\$0.090
January 2018	\$0.110	\$0.085
December 2017	\$0.110	\$0.085
November 2017	\$0.090	\$0.075
October 2017	\$0.100	\$0.085
September 2017	\$0.110	\$0.085

### **US Trading**

The following table discloses the annual high and low sales prices in United States dollars for the common shares of the Company for the five most recent financial years of the Company as traded on the NYSE American, the OTCQB tier of the OTC Link, and the OTC Pink tier of the OTC Link, as applicable. The Company's common shares commenced trading on the NYSE American on April 27, 2011 and ceased trading on the NYSE American on April 24, 2014, as a result of the Company voluntarily delisting from the NYSE American. From April 25, 2014 to April 30, 2015, the Company's common shares traded in the United States on the OTCQB tier of the OTC Link and since May 1, 2015, the Company's common shares have traded in the United States on the OTC Pink tier of the OTC Link.

<b>Year</b>	<b>High (US\$)</b>	<b>Low (US\$)</b>
2017	\$0.14	\$0.05
2016	\$0.20	\$0.01
2015	\$0.14	\$0.02
2014	\$0.27	\$0.03
2013	\$0.87	\$0.08

The following table discloses the high and low sales prices in United States dollars for the common shares of the Company for each quarterly period within the two most recent financial years as traded on the OTC Pink tier of the OTC Link.

<b>Quarter Ended</b>	<b>High (US\$)</b>	<b>Low (US\$)</b>
December 31, 2017	\$0.08	\$0.05
September 30, 2017	\$0.11	\$0.08
June 30, 2017	\$0.12	\$0.09
March 31, 2017	\$0.14	\$0.06
December 31, 2016	\$0.14	\$0.06
September 30, 2016	\$0.20	\$0.12
June 30, 2016	\$0.14	\$0.04
March 31, 2016	\$0.05	\$0.01

The following table discloses the monthly high and low sales prices in United States dollars for the common shares of the Company for the most recent six months as traded on the OTC Pink tier of the OTC Link.

<b>Month</b>	<b>High (US\$)</b>	<b>Low (US\$)</b>
March 2018	\$0.09	\$0.06
February 2018	\$0.08	\$0.06
January 2018	\$0.09	\$0.06
December 2017	\$0.08	\$0.06
November 2017	\$0.06	\$0.05
October 2017	\$0.08	\$0.06
September 2017	\$0.08	\$0.08

## **B. Plan of Distribution**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## **C. Markets**

The Company's outstanding common shares are listed on the TSX and are quoted on the OTC Pink tier of the OTC Link.

## **D. Selling Shareholder**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## **E. Dilution**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## **F. Expenses of the Issue**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

## **Item 10. Additional Information**

### **A. Share Capital**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

### **B. Memorandum and Articles of Association**

A copy of the Company's articles of amalgamation is incorporated by reference into this Form 20-F as Exhibit 1.1. The Company's general by-law is incorporated by reference into this Form 20-F as Exhibit 1.2.

The Company is a corporation governed by the Ontario *Business Corporations Act* (the "**OBCA**"). Under the OBCA, the articles of the Company may, by "special resolution" (see below for definition), be amended to add, change or remove any rights, privileges, restrictions and conditions, including rights to accrued dividends, in respect of all or any of its shares, whether issued or unissued. Under the OBCA, "special resolution" means a resolution passed by a majority of not less than two-thirds of the votes cast by the shareholders who voted in respect of that resolution or signed by all the shareholders entitled to vote on that resolution.

The Company's articles provide that there are no restrictions on the business the Company may carry on and there are no restrictions on the powers the Company may exercise.

The Company's authorized share capital consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series, of which 158,689,732 common shares and no preference

shares were issued and outstanding as of March 21, 2018. The following is a summary of the material provisions attaching to the common shares and preference shares.

Common Shares - The holders of the common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of the shareholders of the Company, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Subject to the prior rights of the holders of the preference shares or any other shares ranking senior to the common shares, the holders of the common shares are entitled to (a) receive any dividends as and when declared by the Board, out of the assets of the Company properly applicable to the payment of dividends, in such amount and in such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding-up of the Company.

Preference Shares - The Board may issue the preference shares at any time and from time to time in one or more series, each series of which shall have the designations, rights, privileges, restrictions and conditions fixed by the directors. The preference shares of each series shall rank on a parity with the preference shares of every other series, and shall be entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares, with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

Under the Company's general by-law, a director of the Company who is a party to, or who is a director or officer of a party to, or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Company, must disclose the nature and extent of their interest at the time and in the manner provided by the OBCA and such material interest must be entered in the minutes of the meetings of directors or otherwise noted in the records of the Company. Any such material contract or material transaction or proposed material contract or proposed material transaction must be referred to the Board or shareholders for approval even if such contract is one that in the ordinary course of the Company's business would not require approval by the Board or shareholders. Such a director must not vote on any resolution to approve the same except as provided by the OBCA.

Also under the Company's general by-law, the Company's directors may be paid such remuneration for their services as the Board may from time to time determine. The directors are also entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof.

With respect to borrowing powers, the Company's general by-law provides that, without limiting the borrowing powers of the Company as set forth in the OBCA, the Board may from time to time on behalf of the Company, without authorization of the shareholders:

- (a) borrow money upon the credit of the Company;
- (b) issue, reissue, sell or pledge debt obligations of the Company;
- (c) subject to the OBCA, give a guarantee on behalf of the Company to secure performance of an obligation to any person; and
- (d) mortgage, hypothecate, pledge, or otherwise create a security interest in all or any property of the Company, owned or subsequently owned, to secure any obligation of the Company.

A director of the Company need not be a shareholder of the Company. There is no age limit requirement for a director of the Company.

The annual meeting of shareholders of the Company is held at such time in each year (but not later than 15 months after holding the last preceding annual meeting of shareholders) and at such place as the Board may from time to time determine. The Board has the power to call a special meeting of shareholders of the Company at any time.

The only persons entitled to be present at a meeting of shareholders are those entitled to vote thereat, the directors and auditor of the Company and others who, although not entitled to vote, are entitled or required under any provision of the OBCA or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

A quorum for the transaction of business at any meeting of shareholders is two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder or representative for a shareholder so entitled.

#### Disclosure of Share Ownership

In general, under applicable securities regulation in Canada, a person or company who beneficially owns, directly or indirectly, voting securities of an issuer or who exercises control or direction over voting securities of an issuer or a combination of both, carrying more than 10% of the voting rights attached to all the issuer's outstanding voting securities is an insider and must, within 10 days of becoming an insider, file a report in the required form effective the date on which the person became an insider. The report must disclose any direct or indirect beneficial ownership of, or control or direction over, securities of the reporting issuer. Additionally, securities regulation in Canada provides for the filing of a report by an insider of a reporting issuer whose holdings change, which report must be filed within five days from the day on which the change takes place.

The rules in the U.S. governing the ownership threshold above which shareholder ownership must be disclosed are more stringent than those discussed above. Section 13 of the U.S. Exchange Act imposes reporting requirements on persons who acquire beneficial ownership (as such term is defined in Rule 13d-3 under the U.S. Exchange Act) of more than 5% of a class of an equity security registered under Section 12 of the U.S. Exchange Act. In general, such persons must file, within 10 days after such acquisition, a report of beneficial ownership with the SEC containing the information prescribed by the regulations under Section 13 of the U.S. Exchange Act. This information is also required to be sent to the issuer of the securities and to each exchange where the securities are traded.

#### **C. Material Contracts**

Except for contracts entered into in the ordinary course of business and other than as disclosed elsewhere in this Form 20-F, there are no material contracts to which the Company is currently a party that were entered into by the Company or any of its subsidiaries during the two years immediately preceding the date of this Form 20-F.

## D. Exchange Controls

There are no governmental laws, decrees, regulations or other legislation, including foreign exchange controls, in Canada which may affect the export or import of capital or that may affect the remittance of dividends, interest or other payments to non-resident holders of the Company's securities. Any remittances of dividends to United States residents, however, are subject to a withholding tax pursuant to the Income Tax Act (Canada) and the Canada-U.S. Income Tax Convention (1980), each as amended. Remittances of interest to U.S. residents entitled to the benefits of such Convention are generally not subject to withholding taxes except in limited circumstances involving participating interest payments. Certain other types of remittances, such as royalties paid to U.S. residents, may be subject to a withholding tax depending on all of the circumstances.

### Restrictions on Share Ownership by Non-Canadians

There are no limitations under the laws of Canada or in the organizational documents of the Company on the right of foreigners to hold or vote securities of the Company, except that the *Investment Canada Act* (the "ICA") may require review and approval by the Minister of Innovation, Science and Economic Development ("ISED") of certain acquisitions of "control" of the Company by a "non-Canadian". The threshold for acquisitions is generally defined as being one-third or more of the voting shares of the Company. "Non-Canadian" generally means an individual who is not a Canadian citizen, or a corporation, partnership, trust or joint venture that is ultimately controlled by non-Canadians.

Under the ICA, transactions exceeding certain financial thresholds, and which involve the acquisition of control of a Canadian business by a non-Canadian, are subject to review and cannot be implemented unless the ISED Minister and/or, in the case of a Canadian business engaged in cultural activities, the Minister of Canadian Heritage, are satisfied that the transaction is likely to be of "net benefit to Canada". If a transaction is subject to review (a "**Reviewable Transaction**"), an application for review must be filed with the Investment Review Division of ISED Canada and/or the Department of Canadian Heritage prior to the implementation of the Reviewable Transaction. The responsible Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada, taking into account, among other things, certain factors specified in the ICA and any written undertakings that may have been given by the applicant. The ICA contemplates an initial review period of up to 45 days after filing; however, if the responsible Minister has not completed the review by that date, s/he may unilaterally extend the review period by up to 30 days (or such longer period as may be agreed to by the applicant and the Minister) to permit completion of the review. If the responsible Minister is not satisfied that the investment is likely to be of net benefit to Canada, s/he may prohibit the investment or order a divestiture (if the investment has already been completed).

If the transaction is not reviewable because it does not meet or exceed the applicable financial threshold, the non-Canadian investor must still give notice to ISED Canada and, in the case of a Canadian business engaged in cultural activities, Canadian Heritage, of its acquisition of control of a Canadian business within 30 days of the implementation of the investment.

Furthermore, under the ICA, every investment in, or acquisition of control of, a Canadian business by a non-Canadian is subject to a "national security" review which examines whether the transaction could be injurious to Canada's national security. There is no minimum threshold for the size of transaction potentially subject to such review. If the ISED Minister, after consultation with the Minister of Public Safety and Emergency Preparedness and the investor, considers that the investment could be injurious to national security, the Minister refers the matter to the Governor in Council. Following its review, if the Governor in Council may take any measures in respect of the investment that it considers advisable to

protect national security, including denying the investment, asking for undertakings, imposing terms or conditions for the investment or ordering a divestiture (if the investment has already been completed).

## **E. Certain United States Federal Income Tax Considerations**

The following is a general summary of certain material U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) arising from and relating to the acquisition, ownership and disposition of common shares of the Company ("**Common Shares**").

This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder arising from and relating to the acquisition, ownership and disposition of Common Shares. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax consequences to such U.S. Holder, including specific tax consequences to a U.S. Holder under an applicable tax treaty. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Except as specifically set forth below, this summary does not discuss applicable tax reporting requirements. This summary does not address the U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences to U.S. Holders of the acquisition, ownership and disposition of Common Shares. Each prospective U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

No legal opinion from U.S. legal counsel or ruling from the Internal Revenue Service (the "**IRS**") has been requested, or will be obtained, regarding the U.S. federal income tax consequences of the acquisition, ownership and disposition of Common Shares. This summary is not binding on the IRS, and the IRS is not precluded from taking a position that is different from, and contrary to, the positions taken in this summary. In addition, because the authorities on which this summary is based are subject to various interpretations, the IRS and the U.S. courts could disagree with one or more of the conclusions described in this summary.

### **Scope of this Summary**

#### **Authorities**

This summary is based on the *Internal Revenue Code of 1986*, as amended (the "**Code**"), Treasury Regulations (whether final, temporary, or proposed), published rulings of the IRS, published administrative positions of the IRS, the Convention Between Canada and the United States of America with Respect to Taxes on Income and on Capital, signed September 26, 1980, as amended (the "**Canada-U.S. Tax Convention**"), and U.S. court decisions that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive or prospective basis which could affect the U.S. federal income tax considerations described in this summary. This summary does not discuss the potential effects, whether adverse or beneficial, of any proposed legislation that, if enacted, could be applied on a retroactive or prospective basis.



## U.S. Holders

For purposes of this summary, the term "**U.S. Holder**" means a beneficial owner of Common Shares that is for U.S. federal income tax purposes:

- an individual who is a citizen or resident of the U.S.;
- a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) organized under the laws of the U.S., any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the U.S. and the control of one or more U.S. persons for all substantial decisions or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

## Non-U.S. Holders

For purposes of this summary, a "**non-U.S. Holder**" is a beneficial owner of Common Shares that is not a U.S. Holder. This summary does not address the U.S. federal income tax consequences to non-U.S. Holders arising from and relating to the acquisition, ownership and disposition of Common Shares. Accordingly, a non-U.S. Holder should consult its own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any income tax treaties) relating to the acquisition, ownership and disposition of Common Shares.

## U.S. Holders Subject to Special U.S. Federal Income Tax Rules Not Addressed

This summary does not address the U.S. federal income tax considerations applicable to U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders that: (a) are tax-exempt organizations, qualified retirement plans, individual retirement accounts, or other tax-deferred accounts; (b) are financial institutions, underwriters, insurance companies, real estate investment trusts, or regulated investment companies; (c) are broker-dealers, dealers, or traders in securities or currencies that elect to apply a mark-to-market accounting method; (d) have a "functional currency" other than the U.S. dollar; (e) own Common Shares as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (f) acquired Common Shares in connection with the exercise of employee stock options or otherwise as compensation for services; (g) hold Common Shares other than as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment purposes); (h) own, have owned or will own (directly, indirectly, or by attribution) 10% or more of the total combined voting power or value of the outstanding shares of the Company; or (i) are required to accelerate the recognition of any item of gross income with respect to Common Shares as a result of such income being recognized on an applicable financial statement. This summary also does not address the U.S. federal income tax considerations applicable to U.S. Holders who are: (a) U.S. expatriates or former long-term residents of the U.S.; (b) persons that have been, are, or will be a resident or deemed to be a resident in Canada for purposes of the Income Tax Act (Canada) (the "**Tax Act**"); (c) persons that use or hold, will use or hold, or that are or will be deemed to use or hold Common Shares in connection with carrying on a business in Canada; (d) persons whose Common Shares constitute "taxable Canadian property" under the Tax Act; or (e) persons that have a permanent establishment in Canada for purposes of the Canada-U.S. Tax Convention. U.S. Holders that are subject to special provisions under the Code, including, but not limited to, U.S. Holders described immediately

above, should consult their own tax advisors regarding the U.S. federal, U.S. federal alternative minimum, U.S. federal estate and gift, U.S. state and local, and foreign tax consequences relating to the acquisition, ownership and disposition of Common Shares.

If an entity or arrangement that is classified as a partnership (or other “pass-through” entity) for U.S. federal income tax purposes holds Common Shares, the U.S. federal income tax consequences to such entity and the partners (or other owners) of such entity generally will depend on the activities of the entity and the status of such partners (or owners). This summary does not address the tax consequences to any such owner. Partners (or other owners) of entities or arrangements that are classified as partnerships or as “pass-through” entities for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences arising from and relating to the acquisition, ownership and disposition of Common Shares.

### **Passive Foreign Investment Company Rules**

If the Company were to constitute a “passive foreign investment company” under the meaning of Section 1297 of the Code (a “**PFIC**”, as defined below) for any year during a U.S. Holder’s holding period, then certain potentially adverse rules will affect the U.S. federal income tax consequences to a U.S. Holder resulting from the acquisition, ownership and disposition of Common Shares. The Company believes that it was classified as a PFIC during the tax year ended December 31, 2017, and due to the nature of the Company’s assets and the income that the Company expects to generate, the Company expects to be a PFIC for its current tax year and may be a PFIC in subsequent tax years. No opinion of legal counsel or ruling from the IRS concerning the status of the Company as a PFIC has been obtained or is currently planned to be requested. The determination of whether any corporation was, or will be, a PFIC for a tax year depends, in part, on the application of complex U.S. federal income tax rules, which are subject to differing interpretations. In addition, whether any corporation will be a PFIC for any tax year depends on the assets and income of such corporation over the course of each such tax year and, as a result, cannot be predicted with certainty as of the date of this document. Accordingly, there can be no assurance that the IRS will not challenge any determination made by the Company (or any subsidiary of the Company) concerning its PFIC status. Each U.S. Holder should consult its own tax advisor regarding the PFIC status of the Company and any subsidiary of the Company.

In addition, in any year in which the Company is classified as a PFIC, such holder will be required to file an annual report with the IRS containing such information as Treasury Regulations and/or other IRS guidance may require. A failure to satisfy such reporting requirements may result in an extension of the time period during which the IRS can assess a tax. U.S. Holders should consult their own tax advisors regarding the requirements of filing such information returns under these rules, including the requirement to file a IRS Form 8621.

The Company generally will be a PFIC if, for a tax year, (a) 75% or more of the gross income of the Company is passive income (the “**income test**”) or (b) 50% or more of the value of the Company’s assets either produce passive income or are held for the production of passive income, based on the quarterly average of the fair market value of such assets (the “**asset test**”). “Gross income” generally includes all sales revenues less the cost of goods sold, plus income from investments and from incidental or outside operations or sources, and “passive income” generally includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions.

Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation’s commodities are stock in trade or inventory,

depreciable property used in a trade or business, or supplies regularly used or consumed in a trade or business and certain other requirements are satisfied.

For purposes of the PFIC income test and asset test described above, if the Company owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the Company will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and asset test described above, and assuming certain other requirements are met, “passive income” does not include certain interest, dividends, rents, or royalties that are received or accrued by the Company from certain “related persons” (as defined in Section 954(d)(3) of the Code), to the extent such items are properly allocable to the income of such related person that is not passive income.

Under certain attribution rules, if the Company is a PFIC, U.S. Holders will generally be deemed to own their proportionate share of the Company’s direct or indirect equity interest in any company that is also a PFIC (a “**Subsidiary PFIC**”), and will be subject to U.S. federal income tax on their proportionate share of (a) any “excess distributions,” as described below, on the stock of a Subsidiary PFIC and (b) a disposition or deemed disposition of the stock of a Subsidiary PFIC by the Company or another Subsidiary PFIC, both as if such U.S. Holders directly held the shares of such Subsidiary PFIC. In addition, U.S. Holders may be subject to U.S. federal income tax on any indirect gain realized on the stock of a Subsidiary PFIC on the sale or disposition of Common Shares. Accordingly, U.S. Holders should be aware that they could be subject to tax even if no distributions are received and no redemptions or other dispositions of Common Shares are made.

#### Default PFIC Rules Under Section 1291 of the Code

If the Company is a PFIC for any tax year during which a U.S. Holder owns Common Shares, the U.S. federal income tax consequences to such U.S. Holder of the acquisition, ownership and disposition of Common Shares will depend on whether and when such U.S. Holder makes an election to treat the Company and each Subsidiary PFIC, if any, as a “qualified electing fund” or “QEF” under Section 1295 of the Code (a “**QEF Election**”) or makes a mark-to-market election under Section 1296 of the Code (a “**Mark-to-Market Election**”). A U.S. Holder that does not make either a QEF Election or a Mark-to-Market Election will be referred to in this summary as a “**Non-Electing U.S. Holder**”.

A Non-Electing U.S. Holder will be subject to the rules of Section 1291 of the Code (described below) with respect to (a) any gain recognized on the sale or other taxable disposition of Common Shares and (b) any excess distribution received on the Common Shares. A distribution generally will be an “excess distribution” to the extent that such distribution (together with all other distributions received in the current tax year) exceeds 125% of the average distributions received during the three preceding tax years (or during a U.S. Holder’s holding period for the Common Shares, if shorter).

Under Section 1291 of the Code, any gain recognized on the sale or other taxable disposition of Common Shares (including an indirect disposition of the stock of any Subsidiary PFIC), and any “excess distribution” received on Common Shares or with respect to the stock of a Subsidiary PFIC, must be ratably allocated to each day in a Non-Electing U.S. Holder’s holding period for the respective Common Shares. The amount of any such gain or excess distribution allocated to the tax year of disposition or distribution of the excess distribution and to years before the entity became a PFIC, if any, would be taxed as ordinary income. The amounts allocated to any other tax year would be subject to U.S. federal income tax at the highest tax rate applicable to ordinary income in each such year, and an interest charge would be imposed on the tax liability for each such year, calculated as if such tax liability had been due in each

such year. A Non-Electing U.S. Holder that is not a corporation must treat any such interest paid as “personal interest,” which is not deductible.

If the Company is a PFIC for any tax year during which a Non-Electing U.S. Holder holds Common Shares, the Company will continue to be treated as a PFIC with respect to such Non-Electing U.S. Holder, regardless of whether the Company ceases to be a PFIC in one or more subsequent tax years. A Non-Electing U.S. Holder may terminate this deemed PFIC status by electing to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above), but not loss, as if such Common Shares were sold on the last day of the last tax year for which the Company was a PFIC.

### QEF Election

A U.S. Holder that makes a timely and effective QEF Election for the first tax year in which its holding period of its Common Shares begins generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to its Common Shares. A U.S. Holder that makes a timely and effective QEF Election will be subject to U.S. federal income tax on such U.S. Holder’s pro rata share of (a) the net capital gain of the Company, which will be taxed as long-term capital gain to such U.S. Holder, and (b) the ordinary earnings of the Company, which will be taxed as ordinary income to such U.S. Holder. Generally, “net capital gain” is the excess of (a) net long-term capital gain over (b) net short-term capital loss, and “ordinary earnings” are the excess of (a) “earnings and profits” over (b) net capital gain. A U.S. Holder that makes a QEF Election will be subject to U.S. federal income tax on such amounts for each tax year in which the Company is a PFIC, regardless of whether such amounts are actually distributed to such U.S. Holder by the Company. However, for any tax year in which the Company is a PFIC and has no net income or gain, U.S. Holders that have made a QEF Election would not have any income inclusions as a result of the QEF Election. If a U.S. Holder that made a QEF Election has an income inclusion, such a U.S. Holder may, subject to certain limitations, elect to defer payment of current U.S. federal income tax on such amounts, subject to an interest charge. If such U.S. Holder is not a corporation, any such interest paid will be treated as “personal interest,” which is not deductible.

A U.S. Holder that makes a timely and effective QEF Election with respect to the Company generally (a) may receive a tax-free distribution from the Company to the extent that such distribution represents “earnings and profits” of the Company that were previously included in income by the U.S. Holder because of such QEF Election and (b) will adjust such U.S. Holder’s tax basis in the Common Shares to reflect the amount included in income or allowed as a tax-free distribution because of such QEF Election. In addition, a U.S. Holder that makes a QEF Election generally will recognize capital gain or loss on the sale or other taxable disposition of Common Shares.

The procedure for making a QEF Election, and the U.S. federal income tax consequences of making a QEF Election, will depend on whether such QEF Election is timely. A QEF Election will be treated as “timely” if such QEF Election is made for the first year in the U.S. Holder’s holding period for the Common Shares in which the Company was a PFIC. A U.S. Holder may make a timely QEF Election by filing the appropriate QEF Election documents at the time such U.S. Holder files a U.S. federal income tax return for such year. If a U.S. Holder does not make a timely and effective QEF Election for the first year in the U.S. Holder’s holding period for the Common Shares, the U.S. Holder may still be able to make a timely and effective QEF Election in a subsequent year if such U.S. Holder meets certain requirements and makes a “purging” election to recognize gain (which will be taxed under the rules of Section 1291 of the Code discussed above) as if such Common Shares were sold for their fair market value on the day the QEF Election is effective. If a U.S. Holder owns PFIC stock indirectly through another PFIC, separate QEF Elections must be made for the PFIC in which the U.S. Holder is a direct shareholder and the Subsidiary PFIC for the QEF rules to apply to both PFICs.

A QEF Election will apply to the tax year for which such QEF Election is timely made and to all subsequent tax years, unless such QEF Election is invalidated or terminated or the IRS consents to revocation of such QEF Election. If a U.S. Holder makes a QEF Election and, in a subsequent tax year, the Company ceases to be a PFIC, the QEF Election will remain in effect (although it will not be applicable) during those tax years in which the Company is not a PFIC. Accordingly, if the Company becomes a PFIC in another subsequent tax year, the QEF Election will be effective and the U.S. Holder will be subject to the QEF rules described above during any subsequent tax year in which the Company qualifies as a PFIC.

U.S. Holders should be aware that there can be no assurances that the Company will satisfy the record keeping requirements that apply to a QEF, or that the Company will supply U.S. Holders with information that such U.S. Holders are required to report under the QEF rules, in the event that the Company is a PFIC. Thus, U.S. Holders may not be able to make a QEF Election with respect to their Common Shares. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a QEF Election.

A U.S. Holder makes a QEF Election by attaching a completed IRS Form 8621, including a PFIC Annual Information Statement, to a timely filed United States federal income tax return. However, if the Company cannot provide the required information with regard to the Company or any of its Subsidiary PFICs, U.S. Holders will not be able to make a QEF Election for such entity and will continue to be subject to the rules discussed above that apply to Non-Electing U.S. Holders with respect to the taxation of gains and excess distributions.

#### Mark-to-Market Election

A U.S. Holder may make a Mark-to-Market Election only if the Common Shares are marketable stock. The Common Shares generally will be “marketable stock” if the Common Shares are regularly traded on (a) a national securities exchange that is registered with the U.S. Securities and Exchange Commission, (b) the national market system established pursuant to section 11A of the *Securities and Exchange Act of 1934*, or (c) a foreign securities exchange that is regulated or supervised by a governmental authority of the country in which the market is located, provided that (i) such foreign exchange has trading volume, listing, financial disclosure, and surveillance requirements, and meets other requirements and the laws of the country in which such foreign exchange is located, together with the rules of such foreign exchange, ensure that such requirements are actually enforced and (ii) the rules of such foreign exchange effectively promote active trading of listed stocks. If such stock is traded on such a qualified exchange or other market, such stock generally will be “regularly traded” for any calendar year during which such stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter.

A U.S. Holder that makes a Mark-to-Market Election with respect to its Common Shares generally will not be subject to the rules of Section 1291 of the Code discussed above with respect to such Common Shares. However, if a U.S. Holder does not make a Mark-to-Market Election beginning in the first tax year of such U.S. Holder’s holding period for the Common Shares or such U.S. Holder has not made a timely QEF Election, the rules of Section 1291 of the Code discussed above will apply to certain dispositions of, and distributions on, the Common Shares.

A U.S. Holder that makes a Mark-to-Market Election will include in ordinary income, for each tax year in which the Company is a PFIC, an amount equal to the excess, if any, of (a) the fair market value of the Common Shares, as of the close of such tax year over (b) such U.S. Holder’s tax basis in such Common Shares. A U.S. Holder that makes a Mark-to-Market Election will be allowed a deduction in an amount equal to the excess, if any, of (a) such U.S. Holder’s adjusted tax basis in the Common Shares, over (b)

the fair market value of such Common Shares (but only to the extent of the net amount of previously included income as a result of the Mark-to-Market Election for prior tax years).

A U.S. Holder that makes a Mark-to-Market Election generally also will adjust such U.S. Holder's tax basis in the Common Shares to reflect the amount included in gross income or allowed as a deduction because of such Mark-to-Market Election. In addition, upon a sale or other taxable disposition of Common Shares, a U.S. Holder that makes a Mark-to-Market Election will recognize ordinary income or ordinary loss (not to exceed the excess, if any, of (a) the amount included in ordinary income because of such Mark-to-Market Election for prior tax years over (b) the amount allowed as a deduction because of such Mark-to-Market Election for prior tax years). Losses that exceed this limitation are subject to the rules generally applicable to losses provided in the Code and Treasury Regulations.

A Mark-to-Market Election applies to the tax year in which such Mark-to-Market Election is made and to each subsequent tax year, unless the Common Shares cease to be "marketable stock" or the IRS consents to revocation of such election. Each U.S. Holder should consult its own tax advisor regarding the availability of, and procedure for making, a Mark-to-Market Election.

Although a U.S. Holder may be eligible to make a Mark-to-Market Election with respect to the Common Shares, no such election may be made with respect to the stock of any Subsidiary PFIC that a U.S. Holder is treated as owning, because such stock is not marketable. Hence, the Mark-to-Market Election will not be effective to eliminate the application of the default rules of Section 1291 of the Code described above with respect to deemed dispositions of Subsidiary PFIC stock or excess distributions from a Subsidiary PFIC.

#### Other PFIC Rules

Under Section 1291(f) of the Code, the IRS has issued proposed Treasury Regulations that, subject to certain exceptions, would cause a U.S. Holder that had not made a timely QEF Election to recognize gain (but not loss) upon certain transfers of Common Shares that would otherwise be tax-deferred (e.g., gifts and exchanges pursuant to corporate reorganizations). However, the specific U.S. federal income tax consequences to a U.S. Holder may vary based on the manner in which Common Shares are transferred.

Certain additional adverse rules may apply with respect to a U.S. Holder if the Company is a PFIC, regardless of whether such U.S. Holder makes a QEF Election. For example, under Section 1298(b)(6) of the Code, a U.S. Holder that uses Common Shares as security for a loan will, except as may be provided in Treasury Regulations, be treated as having made a taxable disposition of such Common Shares.

Special rules also apply to the amount of foreign tax credit that a U.S. Holder may claim on a distribution from a PFIC. Subject to such special rules, foreign taxes paid with respect to any distribution in respect of stock in a PFIC are generally eligible for the foreign tax credit. The rules relating to distributions by a PFIC and their eligibility for the foreign tax credit are complicated, and a U.S. Holder should consult with its own tax advisor regarding the availability of the foreign tax credit with respect to distributions by a PFIC.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisors regarding the PFIC rules and how the PFIC rules may affect the U.S. federal income tax consequences of the acquisition, ownership and disposition of Common Shares.

### **Ownership and Disposition of Common Shares to the Extent that the PFIC Rules do not Apply**

The following discussion is subject in its entirety to the rules described above under the heading “Passive Foreign Investment Company Rules.”

#### **Distributions on Common Shares**

A U.S. Holder that receives a distribution, including a constructive distribution, with respect to a Common Share will be required to include the amount of such distribution in gross income as a dividend (without reduction for any Canadian income tax withheld from such distribution) to the extent of the current or accumulated “earnings and profits” of the Company, as computed for U.S. federal income tax purposes. A dividend generally will be taxed to a U.S. Holder at ordinary income tax rates if the Company is a PFIC. To the extent that a distribution exceeds the current and accumulated “earnings and profits” of the Company, such distribution will be treated first as a tax-free return of capital to the extent of a U.S. Holder's tax basis in the Common Shares and thereafter as gain from the sale or exchange of such Common Shares. (See “Sale or Other Taxable Disposition of Common Shares” below). However, the Company may not maintain the calculations of earnings and profits in accordance with U.S. federal income tax principles, and each U.S. Holder should therefore assume that any distribution by the Company with respect to the Common Shares will constitute ordinary dividend income. Dividends received on Common Shares generally will not be eligible for the “dividends received deduction”. Subject to applicable limitations and provided the Company is eligible for the benefits of the Canada-U.S. Tax Convention or the Common Shares are readily tradable on a United States securities market, dividends paid by the Company to non-corporate U.S. Holders, including individuals, generally will be eligible for the preferential tax rates applicable to long-term capital gains for dividends, provided certain holding period and other conditions are satisfied, including that the Company not be classified as a PFIC in the tax year of distribution or in the preceding tax year. The dividend rules are complex, and each U.S. Holder should consult its own tax advisor regarding the application of such rules.

#### **Sale or Other Taxable Disposition of Common Shares**

Upon the sale or other taxable disposition of Common Shares, a U.S. Holder generally will recognize capital gain or loss in an amount equal to the difference between the U.S. dollar value of cash received plus the fair market value of any property received and such U.S. Holder's tax basis in such Common Shares sold or otherwise disposed of. A U.S. Holder's tax basis in Common Shares generally will be such holder's U.S. dollar cost for such Common Shares. Gain or loss recognized on such sale or other disposition generally will be long-term capital gain or loss if, at the time of the sale or other disposition, the Common Shares have been held for more than one year.

Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate, or trust. There are currently no preferential tax rates for long-term capital gain of a U.S. Holder that is a corporation. Deductions for capital losses are subject to significant limitations under the Code.

### **Additional Considerations**

#### **Additional Tax on Passive Income**

Certain U.S. Holders that are individuals, estates or trusts (other than trusts that are exempt from tax) will be subject to a 3.8% tax on all or a portion of their “net investment income,” which includes dividends on the Common Shares and net gains from the disposition of the Common Shares. Further, excess distributions treated as dividends, gains treated as excess distributions under the PFIC rules discussed

above, and mark-to-market inclusions and deductions are all included in the calculation of net investment income.

Treasury Regulations provide, subject to the election described in the following paragraph, that solely for purposes of this additional tax, that distributions of previously taxed income will be treated as dividends and included in net investment income subject to the additional 3.8% tax. Additionally, to determine the amount of any capital gain from the sale or other taxable disposition of Common Shares that will be subject to the additional tax on net investment income, a U.S. Holder who has made a QEF Election will be required to recalculate its basis in the Common Shares excluding QEF basis adjustments.

Alternatively, a U.S. Holder may make an election which will be effective with respect to all interests in a PFIC for which a QEF Election has been made and which is held in that year or acquired in future years. Under this election, a U.S. Holder pays the additional 3.8% tax on QEF income inclusions and on gains calculated after giving effect to related tax basis adjustments. U.S. Holders that are individuals, estates or trusts should consult their own tax advisors regarding the applicability of this tax to any of their income or gains in respect of the Common Shares.

#### Receipt of Foreign Currency

The amount of any distribution paid to a U.S. Holder in foreign currency, or on the sale, exchange or other taxable disposition of Common Shares, generally will be equal to the U.S. dollar value of such foreign currency based on the exchange rate applicable on the date of receipt (regardless of whether such foreign currency is converted into U.S. dollars at that time). A U.S. Holder will have a basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Any U.S. Holder who converts or otherwise disposes of the foreign currency after the date of receipt may have a foreign currency exchange gain or loss that would be treated as ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes. Different rules apply to U.S. Holders who use the accrual method of tax accounting. Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of foreign currency.

#### Foreign Tax Credit

Subject to the PFIC rules discussed above, a U.S. Holder that pays (whether directly or through withholding) Canadian income tax with respect to dividends paid on the Common Shares generally will be entitled, at the election of such U.S. Holder, to receive either a deduction or a credit for such Canadian income tax. Generally, a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction will reduce a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year-by-year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

Complex limitations apply to the foreign tax credit, including the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In applying this limitation, a U.S. Holder's various items of income and deduction must be classified, under complex rules, as either "foreign source" or "U.S. source." Generally, dividends paid by a foreign corporation should be treated as foreign source for this purpose, and gains recognized on the sale of stock of a foreign corporation by a U.S. Holder should be treated as U.S. source for this purpose, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code. However, the amount of a distribution with respect to the Common Shares that is treated as a "dividend" may be lower for U.S. federal income tax purposes than it is for Canadian federal income tax purposes, resulting in a reduced foreign tax credit allowance to a U.S. Holder. In addition, this limitation is



calculated separately with respect to specific categories of income. The foreign tax credit rules are complex, and each U.S. Holder should consult its own U.S. tax advisor regarding the foreign tax credit rules.

#### **Backup Withholding and Information Reporting**

Under U.S. federal income tax law and Treasury Regulations, certain categories of U.S. Holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. For example, U.S. return disclosure obligations (and related penalties) are imposed on individuals who are U.S. Holders that hold certain specified foreign financial assets in excess of certain threshold amounts. The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, any stock or security issued by a non-U.S. person, any financial instrument or contract held for investment that has an issuer or counterparty other than a U.S. person and any interest in a foreign entity. U.S. Holders may be subject to these reporting requirements unless their Common Shares are held in an account at certain financial institutions. Penalties for failure to file certain of these information returns are substantial. U.S. Holders should consult with their own tax advisors regarding the requirements of filing information returns, including the requirement to file an IRS Form 8938.

Payments made within the U.S. or by a U.S. payor or U.S. middleman, of dividends on, and proceeds arising from the sale or other taxable disposition of, Common Shares will generally be subject to information reporting and backup withholding tax, at the rate of 24%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on IRS Form W-9), (b) furnishes an incorrect U.S. taxpayer identification number, (c) is notified by the IRS that such U.S. Holder has previously failed to properly report items subject to backup withholding tax, or (d) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, certain exempt persons generally are excluded from these information reporting and backup withholding rules. Backup withholding is not an additional tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded, if such U.S. Holder furnishes required information to the IRS in a timely manner. Each U.S. Holder should consult its own tax advisor regarding the information reporting and backup withholding rules.

#### **F. Dividends and Paying Agents**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

#### **G. Statement By Experts**

This Form 20-F is being filed as an annual report under the U.S. Exchange Act and, as such, there is no requirement to provide any information under this item.

#### **H. Documents on Display**

The documents referred to and/or incorporated by reference in this Form 20-F can be viewed at the office of the Company at 1 First Canadian Place, 100 King Street West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada. The Company is required to file financial statements and other information with the securities regulatory authorities in each of the Canadian provinces (other than Quebec), electronically through the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be

viewed at [www.sedar.com](http://www.sedar.com). The Company is subject to the informational requirements of the U.S. Exchange Act and files reports and other information with the SEC. You may read and copy any of the Company's reports and other information at, and obtain copies upon payment of prescribed fees from, the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C., U.S., 20549. In addition, the SEC maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at <http://www.sec.gov>. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

## **I. Subsidiary Information**

Not applicable.

### **Item 11. Quantitative and Qualitative Disclosures About Market Risk.**

See Note 16 to the Company's audited consolidated financial statements filed as part of this Form 20-F under Item 18.

### **Item 12. Descriptions of Securities Other than Equity Securities**

Not applicable.

## **PART II**

### **Item 13. Defaults, Dividend Arrearages and Delinquencies.**

Not applicable.

### **Item 14. Material Modifications to the Rights of Security Holders and Use of Proceeds.**

#### **14.A.-D. Modifications to the Rights of Security Holders**

The Company was formed under the OBCA on August 24, 1993 by articles of amalgamation. The name of the Company upon amalgamation was Taylor Rand Incorporated. On June 25, 1996, pursuant to the filing of articles of amendment, the Company changed its name from Taylor Rand Incorporated to Sheridan Reserve Incorporated and consolidated its outstanding common shares. Articles of amendment were filed by the Company on January 28, 1997 to consolidate its outstanding series of preference shares. The Company changed its name from Sheridan Reserve Incorporated to Nevadabobs.com Inc. on August 4, 2000 pursuant to the filing of articles of amendment. The Company changed its name from Nevadabobs.com Inc. to Nevada Bob's International Inc. on August 24, 2001 pursuant to articles of amendment. Articles of amendment were filed by the Company on May 6, 2002 to consolidate its outstanding common shares. Articles of amendment were filed by the Company on April 30, 2003 to create a series of preference shares. On November 28, 2008, immediately following the acquisition by the Company of Old Loncor, the Company filed articles of amalgamation which amalgamated the Company with Old Loncor and changed the Company's name from Nevada Bob's International Inc. to Loncor Resources Inc.

#### **14.E. Use of Proceeds**

Not applicable.

## **Item 15. Controls and Procedures.**

### **(a) Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the U.S. Exchange Act) for the year ended December 31, 2017. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were adequately designed and are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the U.S. Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms.

In addition, the Company's Chief Executive Officer and Chief Financial Officer have determined that the disclosure controls and procedures are effective to ensure that information required to be disclosed in the reports that are filed under the U.S. Exchange Act is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

### **(b) Management's Annual Report on Internal Control over Financial Reporting**

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the U.S. Exchange Act. The Company's management has employed a framework consistent with U.S. Exchange Act Rule 13a-15(c), to evaluate the Company's internal control over financial reporting described below. The Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of financial statements for external purposes in accordance with IFRS.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the design and operation of the Company's internal control over financial reporting as of December 31, 2017 based on the criteria set forth in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Based on this evaluation, management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2017 and no material weaknesses were discovered.

### **(c) Attestation Report of the Registered Public Accounting Firm**

This annual report on Form 20-F does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Under the *Jumpstart Our Business & Startups Act* ("JOBS Act"), emerging growth companies are exempt from Section 404(b) of the *Sarbanes-Oxley Act*, which generally requires public companies to provide an independent auditor attestation of management's assessment of the effectiveness of their internal control over financial

reporting. The Company qualifies as an emerging growth company under the JOBS Act and therefore has not included an independent auditor attestation of management's assessment of the effectiveness of its internal control over financial reporting.

**(d) Changes in Internal Control over Financial Reporting**

There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2017, that management believes have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company's management, including the Chief Executive Officer and Chief Financial Officer, does not expect that its disclosure controls and procedures or internal controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

**Item 16.A. Audit Committee Financial Expert**

The Company's Board has determined that William R. Wilson satisfies the requirements as an audit committee financial expert, in that he has an understanding of IFRS and financial statements; is able to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves; has experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that can reasonably be expected to be raised by the Company's financial statements (or experience actively supervising one or more persons engaged in such activities); has an understanding of internal controls over financial reporting; and has an understanding of audit committee functions. Mr. Wilson is independent as defined in Section 803A of the NYSE MKT Company Guide.

**Item 16.B. Code of Ethics.**

The Company has adopted a code of business conduct and ethics for directors, officers and employees (including the Company's principal executive officer, principal financial officer and principal accounting officer) (the "Code"). A copy of the Code is incorporated by reference into this Form 20-F as Exhibit 1.4. A copy of the Code may also be obtained free of charge from the Chief Financial Officer of the Company at [dmadilo@loncor.com](mailto:dmadilo@loncor.com) and is also available on SEDAR at [www.sedar.com](http://www.sedar.com), EDGAR at [www.sec.gov](http://www.sec.gov) and the Company's website at [www.loncor.com](http://www.loncor.com). Each director, officer and employee of the Company is provided with a copy of the Code and is required to confirm annually that he or she has complied with the Code. Any observed breaches of the Code must be reported to the Company's Chief Executive Officer.

No amendment was made to the Code during the Company's most recently completed financial year and no waiver from a provision of the Code was granted by the Company during the Company's most recently completed financial year.

In accordance with the OBCA (the Company's governing corporate legislation), directors of the Company who are a party to, or are a director or an officer of or have a material interest in a party to, a material contract or material transaction or a proposed material contract or proposed material transaction, are required to disclose the nature and extent of their interest and not to vote on any resolution to approve the contract or transaction. In addition, in certain cases, an independent committee of the Company's Board may be formed to deliberate on such matters in the absence of the interested party.

The Company has also adopted a "whistleblower" policy which provides employees, consultants, officers and directors with the ability to report, on a confidential and anonymous basis, violations within the Company's organization including, (but not limited to), questionable accounting practices, disclosure of fraudulent or misleading financial information, instances of corporate fraud, or harassment. The Company believes that providing a forum for such individuals to raise concerns about ethical conduct and treating all complaints with the appropriate level of seriousness fosters a culture of ethical business conduct. The Company has also adopted an insider trading policy to encourage and promote a culture of ethical business conduct.

#### **Item 16.C. Principal Accountant Fees and Services**

The following summarizes the total fees billed by the external auditors of the Company for each of the years ended December 31, 2017 and December 31, 2016 (BDO Canada LLP were the external auditors of the Company in respect of fiscal 2016 and UHY McGovern Hurley LLP were the external auditors of the Company in respect of fiscal 2017). All dollar amounts are exclusive of applicable taxes.

	<u><b>2017</b></u>	<u><b>2016</b></u>
Audit Fees	Cdn\$40,000	Cdn\$45,000
Audit-Related Fees	Cdn\$10,000	Cdn\$10,000
Tax Fees	Cdn\$4,500	Cdn\$2,500
All Other Fees	Nil	Nil

In accordance with existing Audit Committee policy and the requirements of the *Sarbanes-Oxley Act*, all services to be provided by the external auditors of the Company are subject to pre-approval by the Audit Committee. This includes audit services, audit-related services, tax services and other services. In some cases, pre-approval is provided by the full Audit Committee for up to a year, and relates to a particular category or group of services and is subject to a specific budget. All of the fees listed above have been approved by the Audit Committee.

#### **Item 16.D. Exemptions from the Listing Standards for Audit Committees**

Not applicable.

#### **Item 16.E. Purchase of Equity Securities by the Issuer and Affiliated Purchasers**

The Company did not purchase any of its common shares during the financial year ended December 31, 2017.

**Item 16.F. Change in Registrant's Certifying Accountant**

At the Company's request, the Company's former independent auditor, BDO Canada LLP, resigned effective March 13, 2018 and UHY McGovern Hurley LLP was engaged as the Company's new independent auditor effective March 13, 2018. The disclosure required pursuant to this Item 16.F was included in the Company's Current Report on Form 6-K filed with the SEC on March 29, 2018 including Exhibits 99.1, 99.2 and 99.3, which are hereby incorporated by reference into this Annual Report on Form 20-F.

**Item 16.G. Corporate Governance**

Not applicable.

**Item 16.H. Mine Safety**

Not applicable.

**PART III****Item 17. Financial Statements**

Not applicable.

**Item 18. Financial Statements**

The financial statements appear on pages F-1 through F-32.

**Item 19. Exhibits**

The following exhibits are filed as part of this Form 20-F:

<b><u>EXHIBIT NUMBER</u></b>	<b><u>DESCRIPTION</u></b>
	<b>Constating Documents</b>
1.1	Company's articles of amalgamation <sup>(1)</sup>
1.2	Company's general by-law <sup>(1)</sup>
1.3	Audit Committee's charter <sup>(1)</sup>
1.4	Company's Business Conduct Policy <sup>(1)</sup>
	<b>Material Contracts</b>
4.1	Company's stock option plan <sup>(1)</sup>
	<b>Subsidiaries</b>
8.1	List of subsidiaries of the Company <sup>(1)</sup>

### **Certifications**

- 12.1 Certification of the President and Chief Executive Officer of the Company pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 12.2 Certification of the Chief Financial Officer of the Company pursuant to Section 302 of Sarbanes-Oxley Act of 2002
- 13.1 Certification of the President and Chief Executive Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 13.2 Certification of the Chief Financial Officer of the Company pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

### **Other Exhibits**

- 15.1 Management's discussion and analysis of the Company for the year ended December 31, 2017
- 15.2 Sections 10 and 11 of the Ngayu Technical Report<sup>(2)</sup>
- 15.3 Notice of Change in Auditor<sup>(3)</sup>
- 15.4 Letter from Successor Auditor<sup>(3)</sup>
- 15.5 Letter from Former Auditor<sup>(3)</sup>

#### Notes:

- (1) Previously filed as an exhibit to the Company's annual report on Form 20-F filed with the SEC on March 30, 2012. SEC file number 001-35124.
- (2) Previously filed as exhibit 99.1 to the Company's current report on Form 6-K filed with the SEC on July 13, 2012.
- (3) Previously filed as an exhibit to the Company's current report on Form 6-K filed with the SEC on March 29, 2018.

### **SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Date: April 2, 2018

**LONCOR RESOURCES INC.**  
(Registrant)

By: (signed) "Arnold T. Kondrat"  
Arnold T. Kondrat  
President and Chief Executive Officer



## **CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017**

**(Expressed in U.S. dollars)**



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## Management's Report

### Management's Responsibility for Financial Statements

The consolidated financial statements and the notes thereto have been prepared in accordance with International Financial Reporting Standards and are the responsibility of the management of Loncor Resources Inc. (the "Company"). The financial information presented elsewhere in the Management's Discussion and Analysis is consistent with the data that is contained in the consolidated financial statements. The consolidated financial statements, where necessary, include amounts which are based on the best estimates and judgments of management.

In order to discharge management's responsibility for the integrity of the consolidated financial statements, the Company maintains a system of internal controls. These controls are designed to provide reasonable assurance that the Company's assets are safeguarded, transactions are executed and recorded in accordance with management's authorization, proper records are maintained and relevant and reliable information is produced. These controls include maintaining quality standards in hiring and training of employees, policies and procedures manuals, a corporate code of conduct and ensuring that there is proper accountability for performance within appropriate and well-defined areas of responsibility. The system of internal controls is further supported by a compliance function, which is designed to ensure that we and our employees comply with securities legislation and conflict of interest rules.

The Board of Directors is responsible for overseeing management's performance of its responsibilities for financial reporting and internal control. The Audit Committee, which is composed of non-executive directors, meets with management as well as the external auditors to ensure that management is properly fulfilling its financial reporting responsibilities to the Directors who approve the consolidated financial statements. The external auditors have full and unrestricted access to the Audit Committee to discuss the scope of their audits, the adequacy of the system of internal controls and review reporting issues.

The consolidated financial statements for the year ended December 31, 2017 have been audited by UHY McGovern Hurley LLP, Chartered Professional Accountants, in accordance with Canadian Generally Accepted Auditing Standards and the standards of the Public Company Accounting Oversight Board (United States).

(Signed) "*Arnold T. Kondrat*"

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Arnold T. Kondrat

President and Chief Executive Officer

(Signed) "*Donat K. Madilo*"

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Donat K. Madilo

Chief Financial Officer

## **REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Shareholders and Directors of Loncor Resources Inc.

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Loncor Resources Inc. (the “Company”), which comprise the consolidated statements of financial position as at December 31, 2017, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes, comprising a summary of significant accounting policies and other explanatory information (collectively referred to as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **Material Uncertainty Related to Going Concern**

Without modifying our opinion, we draw attention to Note 2 in the consolidated financial statements that indicates the Company produced a net loss of \$61,287 for the year ended December 31, 2017 and as of that date the Company had a working capital deficit of \$726,550. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts substantial doubt on the Company’s ability to continue as a going concern. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### **Basis for Opinion**

#### **A – 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 as issued by the International Accounting Standards Board, 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.

#### **B – Auditors’ Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States) (“PCAOB”). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement, whether due to error or fraud. Those standards also require that we comply with ethical requirements, including independence. We are required to be independent with respect to the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We are a public accounting firm registered with the PCAOB.

An audit includes performing procedures to assess the risks of material misstatements of the consolidated financial statements, whether due to error or fraud, and performing procedures to respond to those risks. Such procedures included obtaining and examining, on a test basis, audit evidence regarding the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the Company’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 Company's internal control. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies and principles 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 in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

#### **Comparative Information**

The consolidated financial statements of the Company as at December 31, 2016 and for the years ended December 31, 2016 and 2015, were audited by another auditor who expressed an unqualified (unmodified) opinion on those financial statements on March 31, 2017.

**/s/ UHY McGovern Hurley LLP**

#### **Chartered Professional Accountants**

#### **Licensed Public Accountants**

This is our first year of service as the Company's auditor.

Toronto, Canada

April 2, 2018



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TD Bank Tower  
66 Wellington Street West  
Suite 3600, PO Box 131  
Toronto ON M5K 1H1 Canada

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## INDEPENDENT AUDITOR'S REPORT

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### To the Shareholders of Loncor Resources Inc.

We have audited the accompanying consolidated financial statements of Loncor Resources Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and the consolidated statements of comprehensive loss, changes in equity, and cash flows for each of the years ended December 31, 2016 and December 31, 2015, 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 as issued by the International Accounting Standards Board, 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 audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). 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 Company's internal controls. 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 in our audits 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 Loncor Resources Inc. as at December 31, 2016 and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### **Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements which indicates the Company produced a net loss of \$497,610 for the year ended December 31, 2016 and as of that date the Company had a working capital deficit of \$1,150,458. These conditions, along with other matters as set forth in Note 2, indicate the existence of a material uncertainty that casts substantial doubt on the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

(signed) "BDO Canada LLP"

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 31, 2017

**Loncor Resources Inc.**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**(Expressed in U.S. dollars)**

	Notes	December 31, 2017	December 31, 2016
		\$	\$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		20,162	21,520
Advances receivable	5	175,501	98,352
Due from related parties	6	4,518	-
Prepaid expenses and deposits		68,263	67,971
<b>Total Current Assets</b>		<b>268,444</b>	<b>187,843</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	7	16,275	35,403
Exploration and evaluation assets	8	27,633,564	27,857,769
Intangible assets	9	1	1
<b>Total Non-Current Assets</b>		<b>27,649,840</b>	<b>27,893,173</b>
<b>Total Assets</b>		<b>27,918,284</b>	<b>28,081,016</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>			
Accounts payable	11	359,651	403,613
Accrued liabilities		67,132	209,930
Due to related parties	6	237,305	127,909
Employee retention allowance	18	208,153	596,849
Loan	12	122,753	-
<b>Current Liabilities</b>		<b>994,994</b>	<b>1,338,301</b>
<b>Common share purchase warrants</b>	13c	<b>67,305</b>	<b>85,633</b>
<b>Total Liabilities</b>		<b>1,062,299</b>	<b>1,423,934</b>
<b>Commitments and contingencies</b>	15		
<b>Shareholders' Equity</b>			
Share capital	13	77,286,874	77,048,991
Reserves		8,219,502	8,197,193
Deficit		(58,650,391)	(58,589,102)
<b>Total Shareholders' Equity</b>		<b>26,855,985</b>	<b>26,657,082</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>27,918,284</b>	<b>28,081,016</b>

Approved and authorized for issue by the Board of Directors on April 2, 2018.  
Signed on behalf of the Board of Directors by:

/s/ William R. Wilson

William R. Wilson  
Director

/s/ Arnold T. Kondrat

Arnold T. Kondrat  
Director

The accompanying notes are an integral part of these consolidated financial statements.

**Loncor Resources Inc.****CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS****(Expressed in U.S. dollars)**

	Notes	For the years ended		
		December 31, 2017	December 31, 2016	December 31, 2015
		\$	\$	\$
<b>Expenses</b>				
Consulting, management and professional fees		105,092	138,498	92,329
Employee benefits		224,790	188,877	182,630
Office and sundry		47,932	45,503	70,549
Compensation expense-share-based payment	14	22,309	55,176	-
Travel and promotion		163,584	76,489	63,138
Depreciation		3,327	3,853	22,082
Interest and bank expenses		3,501	818	1,158
(Gain)/loss on derivative instruments	13c	(314,317)	6,452	-
Impairment of exploration and evaluation assets	8	-	-	2,300,000
Other		(207,707)	-	-
Foreign exchange loss/(gain)		12,933	(17,774)	(177,310)
<b>Loss before other items</b>		<b>(61,444)</b>	<b>(497,892)</b>	<b>(2,554,576)</b>
Interest income		157	282	113
Other Income		-	-	137,216
<b>Loss</b>		<b>(61,287)</b>	<b>(497,610)</b>	<b>(2,417,247)</b>
<b>Comprehensive loss for the year</b>		<b>(61,287)</b>	<b>(497,610)</b>	<b>(2,417,247)</b>
Loss per share, basic and diluted	13d	(0.00)	(0.00)	(0.03)

The accompanying notes are an integral part of these consolidated financial statements.



**Loncor Resources Inc.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(Expressed in U.S. dollars)**

	Notes	Common shares		Reserves	Deficit	Total shareholders' equity
		Number of shares	Amount			
<b>Balance at January 1, 2015</b>		<b>73,439,732</b>	<b>\$ 75,715,014</b>	<b>\$ 8,142,017</b>	<b>\$ (55,674,247)</b>	<b>\$ 28,182,784</b>
Loss for the year		-	-	-	(2,417,247)	(2,417,247)
Common shares issued		11,000,000	525,980	-	-	525,980
<b>Balance at December 31, 2015</b>		<b>84,439,732</b>	<b>\$ 76,240,994</b>	<b>\$ 8,142,017</b>	<b>\$ (58,091,494)</b>	<b>\$ 26,291,517</b>
Loss for the year		-	-	-	(497,610)	(497,610)
Share-based payments		-	-	55,176	-	55,176
Common shares and warrants issued		68,750,000	807,997	-	-	807,997
<b>Balance at December 31, 2016</b>		<b>153,189,732</b>	<b>\$ 77,048,991</b>	<b>\$ 8,197,193</b>	<b>\$ (58,589,102)</b>	<b>\$ 26,657,082</b>
Loss for the year		-	-	-	(61,287)	(61,287)
Share-based payments		-	-	22,309	-	22,309
Common shares and warrants issued		5,500,000	237,883	-	-	237,883
<b>Balance at December 31, 2017</b>		<b>158,689,732</b>	<b>\$ 77,286,874</b>	<b>\$ 8,219,502</b>	<b>\$ (58,650,391)</b>	<b>\$ 26,855,985</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Loncor Resources Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Expressed in U.S. dollars)**

	Notes	For the years ended		
		December 31, 2017	December 31, 2016	December 31, 2015
		\$	\$	\$
<b>Cash flows from operating activities</b>				
Loss for the year		(61,287)	(497,610)	(2,417,247)
Adjustments to reconcile loss to net cash used in operating activities				
Depreciation		3,327	3,853	23,175
Share-based payments - employee compensation	14	22,309	55,176	-
Loss/(gain) on derivative instruments		(314,317)	6,452	-
Employee retention allowance	18	23,853	23,912	(31,991)
Impairment of exploration and evaluation assets		-	-	2,300,000
Changes in non-cash working capital				
Advances receivable		(77,149)	(56,352)	(9,035)
Prepaid expenses and deposits		(292)	(125)	1,302
Due from related parties		(4,518)	12,619	(2,739)
Accounts payable		(42,663)	26,636	(43,766)
Accrued liabilities		(142,798)	14,947	(108,621)
<b>Net cash used in operating activities</b>		<b>(593,535)</b>	<b>(410,492)</b>	<b>(288,922)</b>
<b>Cash flows from investing activities</b>				
Disposition of property, plant and equipment		-	2,400	94,491
Purchase of property, plant and equipment		(1,510)	-	-
Expenditures on exploration and evaluation assets		(172,334)	(254,454)	(497,861)
<b>Net cash used in investing activities</b>		<b>(173,844)</b>	<b>(252,054)</b>	<b>(403,370)</b>
<b>Cash flows from financing activities</b>				
Proceeds from share and warrant issuance, net of issuance costs		533,872	887,178	525,980
Loan	12	122,753	-	-
Due to related parties		109,396	(462,153)	118,936
Funds received from Randgold		-	250,786	-
<b>Net cash provided from financing activities</b>		<b>766,021</b>	<b>675,811</b>	<b>644,916</b>
<b>Net increase/(decrease) in cash and cash equivalent during the year</b>		<b>(1,358)</b>	<b>13,265</b>	<b>(47,376)</b>
<b>Cash and cash equivalents, beginning of the year</b>		<b>21,520</b>	<b>8,255</b>	<b>55,631</b>
<b>Cash and cash equivalents, end of the year</b>		<b>20,162</b>	<b>21,520</b>	<b>8,255</b>

**Supplemental cash flow information (Note 17)**

The accompanying notes are an integral part of these consolidated financial statements.

## **Loncor Resources Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

**(Expressed in U.S. dollars, except for per share amounts)**

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#### **1. CORPORATE INFORMATION**

Loncor Resources Inc. (the "Company") is a corporation governed by the Ontario *Business Corporations Act*. The principal business of the Company is the acquisition and exploration of mineral properties.

These consolidated financial statements as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 include the accounts of the Company and of its wholly owned subsidiaries in the Democratic Republic of the Congo (the "Congo"), Loncor Resources Congo SARL, and in the U.S., Nevada Bob's Franchising, Inc., respectively.

The Company is a publicly traded company whose outstanding common shares are listed for trading on the Toronto Stock Exchange. The head office of the Company is located at 1 First Canadian Place, 100 King St. West, Suite 7070, Toronto, Ontario, M5X 1E3, Canada.

#### **2. BASIS OF PREPARATION**

##### **a) Statement of compliance**

These consolidated financial statements as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The accompanying financial information as at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015 has been prepared in accordance with those IASB standards and IFRS Interpretations Committee ("IFRIC") interpretations issued and effective, or issued and early-adopted, at December 31, 2017.

The date the Company's Board of Directors approved these consolidated financial statements was April 2, 2018.

##### **b) Continuation of Business**

The Company incurred a net loss of \$61,287 for the year ended December 31, 2017 (year ended December 31, 2016 - net loss of \$497,610 and year ended December 31, 2015 - net loss of \$2,417,247) and as at December 31, 2017 had a working capital deficit of \$726,550 (December 31, 2016: \$1,150,458).

The Company's ability to continue operations in the normal course of business is dependent on several factors, including its ability to secure additional funding. Management is exploring all available options to secure additional funding, including equity financing and strategic partnerships. In addition, the recoverability of the amount shown for exploration and evaluation assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain financing to continue to perform exploration activity or complete the development of the properties where necessary, or alternatively, upon the Company's ability to recover its incurred costs through a disposition of its interests, all of which are uncertain.

In the event the Company is unable to identify recoverable resources, receive the necessary permitting, or arrange appropriate financing, the carrying value of the Company's assets and liabilities could be subject to material adjustment. These matters create material uncertainties that cast significant and substantial doubt upon the validity of the going concern assumption.

These consolidated financial statements do not include any additional adjustments to the recoverability and classification of certain recorded asset amounts, classification of certain liabilities and changes to the statements of comprehensive loss that might be necessary if the Company was unable to continue as a going concern.

## **Loncor Resources Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

**(Expressed in U.S. dollars, except for per share amounts)**

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#### **c) Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets and liabilities which are presented at fair value. These consolidated financial statements have also been prepared on an accrual basis, except for cash flow information.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently by all group entities and to all periods presented in these consolidated financial statements, unless otherwise indicated.

#### **a) Basis of Consolidation**

##### **i. Subsidiaries**

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as ability to offset these returns through the power to direct the relevant activities of the entity. This control is generally evidenced through owning more than 50% of the voting rights or currently exercisable potential voting rights of a company's share capital. The financial statements of subsidiaries are included in the consolidated financial statements of the Company from the date that control commences until the date that control ceases. Consolidation accounting is applied for all of the Company's wholly-owned subsidiaries (see note 4).

##### **ii. Transactions eliminated on consolidation**

Inter-company balances, transactions, and any unrealized income and expenses, are eliminated in preparing the consolidated financial statements.

Unrealized gains arising from transactions with associates are eliminated against the investment to the extent of the Company's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

#### **b) Use of Estimates and Judgments**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about critical judgments in applying accounting policies and estimates that have the most significant effect on the amounts recognized in these consolidated financial statements is included in the following notes:

Estimates:

##### **i. Impairment**

Assets, including property, plant and equipment, and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. If an impairment assessment is required, the assessment of fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

##### **ii. Share-based payment transactions**

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

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The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 14.

For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. The assumptions and models used for estimating fair value of warrant-based derivative financial instruments are disclosed in Note 13.

Judgments:

**i. Provisions and contingencies**

The amount recognized as provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements. As at December 31, 2017 and 2016, the Company does not have any material asset retirement obligations related to its exploration and evaluation assets.

**ii. Title to mineral property interests**

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects, government renegotiation, other legal claims, and non-compliance with regulatory, social and environmental requirements.

**iii. Exploration and evaluation expenditure**

The application of the Company's accounting policy for exploration and evaluation expenditure requires significant judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. There are key circumstances that would indicate a test for impairment is required, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the consolidated statement of comprehensive loss during the year the new information becomes available.

Significant judgements have been made with regards to the potential for indicators of impairment. This includes judgements related to the ability to carry out the desired exploration activities as a result of various permits currently being under force majeure due to the poor security situation at the North Kivu property and the need to allocate resources amongst different projects based on the availability of capital and funding.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

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**iv. Functional and presentation currency**

Judgment is required to determine the functional currency of the Company and its subsidiaries. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

**c) Foreign Currency Translation****i. Functional and presentation currency**

These consolidated financial statements are presented in United States dollars ("\$"), which is the Company's functional and presentation currency. The United States dollar was determined to be the functional currency of the Company's Congo subsidiary. References to Cdn\$ represent Canadian dollars.

**ii. Foreign currency transactions**

The functional currency for each of the Company's subsidiaries and any associates is the currency of the primary economic environment in which the entity operates. Transactions entered into by the Company's subsidiaries and any associates in a currency other than the currency of the primary economic environment in which they operate (their "functional currency") are recorded at the rates ruling when the transactions occur except depreciation and amortization which are translated at the rates of exchange applicable to the related assets, with any gains or losses recognized in the consolidated statements of comprehensive loss. Foreign currency monetary assets and liabilities are translated at current rates of exchange with the resulting gain or losses recognized in the statements of loss. Non-monetary assets and liabilities are translated using the historical exchange rates. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**d) Cash and Cash Equivalents**

Cash and cash equivalents includes cash on hand, deposits held on call with financial institutions, and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts.

**e) Financial Assets**

A financial asset is classified as either financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held to maturity investments ("HTM"), or available for sale financial assets ("AFS"), as appropriate at initial recognition and, except in very limited circumstances, the classification is not changed subsequently. The classification is determined at initial recognition and depends on the nature and purpose of the financial asset. The Company does not have any financial assets that are classified as HTM and AFS. A financial asset is derecognized when contractual rights to the asset's cash flows expire or if substantially all the risks and rewards of the asset are transferred.

**Financial assets at FVTPL**

A financial asset is classified as FVTPL when the financial asset is held for trading or it is designated upon initial recognition as an FVTPL. A financial asset is classified as held for trading if (1) it has been acquired principally for the purpose of selling or repurchasing in the near term; (2) it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short term profit taking; or (3) it is a derivative that is not designated and effective as a hedging instrument. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recognized in profit or loss. Transaction costs are expensed as incurred. The Company has classified cash and cash equivalents as FVTPL.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

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**Loans and receivables**

Loans and receivables are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost less losses for impairment. The impairment loss of receivables is based on a review of all outstanding amounts at period end. Bad debts are written off during the period in which they are identified. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statements of comprehensive loss when the loans and receivables are derecognized or impaired, as well as through the amortization process. The Company has classified advances receivable and balances due from related parties as loans and receivables.

**Impairment of financial assets**

The Company assesses at each reporting date whether a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**f) Financial Liabilities**

Financial liabilities are classified as FVTPL, or other financial liabilities, as appropriate upon initial recognition. The common share purchase warrants are a liability classified as FVTPL. The common share purchase warrants are re-valued at each reporting period, with a gain or loss reported on the consolidated statement of comprehensive loss. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequent to the initial recognition, other financial liabilities are measured at amortized cost using the effective interest method. The Company's other financial liabilities include accounts payable, accrued liabilities, due to related parties, and employee retention allowance.

**g) Earnings (loss) Per Share**

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable by the weighted average number of common shares outstanding during the reporting period. Diluted earnings (loss) per share is computed by dividing the net income (loss) by the sum of the weighted average number of common shares issued and outstanding during the reporting period and all additional common shares for the assumed exercise of options and warrants outstanding for the reporting period, if dilutive. When the Company is incurring losses, basic and diluted loss per share are the same since including the exercise of outstanding options and share purchase warrants in the diluted loss per share calculation would be anti-dilutive.

**h) Property, Plant and Equipment ("PPE")****i. Recognition and measurement**

Items of PPE are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, directed labor and any other cost directly attributable to bring the asset to the location and condition necessary to be capable of operating in the manner intended by the Company.

**ii. Subsequent costs**

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

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The cost of replacing part of an item of PPE is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized and included in net loss. If the carrying amount of the replaced component is not known, it is estimated based on the cost of the new component less estimated depreciation. The costs of the day-to-day servicing of property, plant and equipment are recognized in the statement of loss.

**iii. Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed to determine whether a component has an estimated useful life that is different from that of the remainder of that asset, in which case that component is depreciated separately. Depreciation is recognized in profit or loss over the estimated useful lives of each item or component of an item of PPE as follows:

- |                                       |                                   |
|---------------------------------------|-----------------------------------|
| • Field camps and equipment           | straight line over 4 Years        |
| • Furniture and fixtures              | straight line over 4 Years        |
| • Office and communications equipment | straight line over 4 Years        |
| • Vehicles                            | straight line over 4 Years        |
| • Leasehold improvements              | straight line over the lease term |

Depreciation methods, useful lives and residual values are reviewed annually and adjusted, if appropriate. Depreciation commences when an asset is available for use. Changes in estimates are accounted for prospectively.

**i) Exploration and Evaluation Assets**

All direct costs related to exploration and evaluation of mineral properties, net of incidental revenues and recoveries, are capitalized under exploration and evaluation assets. Exploration and evaluation expenditures include such costs as acquisition of rights to explore; sampling, trenching and surveying costs; costs related to topography, geology, geochemistry and geophysical studies; drilling costs and costs in relation to technical feasibility and commercial viability of extracting a mineral resource.

Exploration and evaluation expenditures incurred by Randgold Resources (DRC) Limited ("Randgold") under the Farm-in arrangement (See note 8b) are recorded on a cost-based approach and accounted in the same way as they would for expenditures directly incurred by the Company as described in the above paragraph. Exploration and evaluation expenditures incurred by Randgold are offset by funding received from Randgold such that no liability arises before an approved pre-feasibility study is completed.

**j) Impairment of Non-Financial Assets**

The Company's PPE, exploration and evaluation assets, and intangible assets are assessed for indication of impairment at each consolidated statement of financial position date. Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, an entity shall measure, present and disclose any resulting impairment in accordance with IAS 36 Impairment of Assets. Internal factors, such as budgets and forecasts, as well as external factors, such as expected future prices, costs and other market factors are also monitored to determine if indications of impairment exist. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated. The recoverable amount is determined as the higher of the fair value less costs to sell for the asset and the asset's value in use. This is determined for an individual asset, unless the asset does not generate cash inflows that are largely



## **Loncor Resources Inc.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

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independent of those from other assets or the Company's assets. If this is the case, the individual assets are grouped together into cash generating units ("CGU") for impairment purposes. Such CGUs represent the lowest level for which there are separately identifiable cash inflows that are largely independent of the cash flows from other assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the statements of comprehensive loss so as to reduce the carrying amount to its recoverable amount (i.e., the higher of fair value less cost to sell and value in use). Fair value less cost to sell is the amount obtainable from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. Value in use is determined as the present value of the future cash flows expected to be derived from an asset or CGU. Estimated future cash flows are calculated using estimated future prices, any mineral reserves and resources, operating and capital costs. All assumptions used are those that an independent market participant would consider appropriate. The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted. During the year ended December 31, 2017, the Company recognized impairment of exploration and evaluation assets for \$nil (December 31, 2016 - \$nil, December 31, 2015 - \$2,300,000) to adjust the carrying value of the assets to their fair value, using a level 3 value in use methodology.

#### **k) Income Taxes**

Income tax expense consists of current and deferred tax expense. Income tax expense is recognized in the statement of loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at future anticipated tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred taxation is provided on all qualifying temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets are only recognized to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary difference can be utilized.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

#### **l) Share-Based Payments**

Equity-settled share-based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense in the consolidated financial statements. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period based on the Company's estimate of options that will eventually vest. The number of forfeitures likely to occur is estimated on grant date and is revised as deemed necessary.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

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Compensation expense on stock options granted to consultants is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Any consideration paid by directors, officers, employees and consultants on exercise of equity-settled share-based payments is credited to share capital. Shares are issued from treasury upon the exercise of equity-settled share-based instruments.

**m) Provisions and Contingencies**

Provisions are recognized when a legal or constructive obligation exists, as a result of past events, and it is probable that an outflow of resources that can be reliably estimated will be required to settle the obligation. Where the effect is material, the provision is discounted using an appropriate current market-based pre-tax discount rate. The increase in the provision due to passage of time is recognized as interest expense.

When a contingency substantiated by confirming events, can be reliably measured and is likely to result in an economic outflow, a liability is recognized as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow. Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the consolidated financial statements.

**n) 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. Related party transactions are in the normal course of business and have commercial substance.

**o) Decommissioning obligations**

The Company recognizes an estimate of the liabilities associated with decommissioning obligations when it has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made. The estimated fair value of the decommissioning obligations is recorded as a long-term liability, with a corresponding increase in the carrying amount of the related asset. The capitalized amount is amortized over the estimated life of the asset. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to any earnings in the period. The decommissioning obligations are charged against the decommissioning obligations to the extent of the liability recorded. The Company has no material decommissioning obligations as at December 31, 2017 and 2016.

## Loncor Resources Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015

(Expressed in U.S. dollars, except for per share amounts)

#### p) Newly Applied Accounting Standards

The following amended standard was adopted as of January 1, 2017:

- IAS 7, "Statement of Cash Flows" (amendment).

The adoption of this amended standard did not have a significant impact on the Company's consolidated financial statements.

#### q) Accounting Standards Issued But Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, Financial instruments ("IFRS 9") was issued by the IASB on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is intended to reduce the complexity for the classification, measurement, and impairment of financial instruments. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, Leases ("IFRS 16") was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for annual periods beginning on or after January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

## 4. SUBSIDIARIES

The following table lists the Company's subsidiaries:

Name of Subsidiary	Place of Incorporation	Proportion of Ownership Interest	Principal Activity
Loncor Resources Congo SARL	Democratic Republic of the Congo	100%	Mineral Exploration
Nevada Bob's Franchising, Inc.	Delaware, USA	100%	Dormant

## 5. ADVANCES RECEIVABLE

	December 31, 2017	December 31, 2016
Advances receivable	\$ 175,501	\$ 98,352

The balance of \$175,501 pertains to advances to employees and suppliers (December 31, 2016 - \$98,352). The balances are non-interest bearing, unsecured and due on demand.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)****6. RELATED PARTY TRANSACTIONS**

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation, and are not disclosed in this note.

**a) Key Management Remuneration**

Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO"), the Chief Financial Officer, and the senior executives reporting directly to the CEO. The remuneration of the key management of the Company as defined above, during the years ended December 31, 2017, December 31, 2016 and December 31, 2015 was as follows:

	For the year's ended		
	December 31, 2017	December 31, 2016	December 31, 2015
Salaries	\$ 124,746	\$ 137,458	\$ 145,067
Employee retention allowance	\$ 10,396	\$ 11,455	\$ 9,090
Compensation expense-share-based payments	\$ 22,309	\$ 55,176	\$ -
	\$ 157,451	\$ 204,088	\$ 154,157

**b) Other Related Party Transactions**

As at December 31, 2017, an amount of \$4,518 was due from Kuuhubb Inc. (formerly Delrand Resources Limited), a company with common directors, incurred in connection with common expenses (December 31, 2016 - \$nil).

As at December 31, 2017, an amount of \$75,670 relating to consulting fees and advances provided to the Company was due to Arnold Kondrat, a director and officer of the Company (December 31, 2016 - \$77,443).

As at December 31, 2017, an amount of \$161,635 was due to Gentor Resources Inc. (a company with common directors) related to common expenses (December 31, 2016 - \$49,085).

	December 31, 2017	December 31, 2016
Due from related party	\$ 4,518	\$ -
Due to related parties	\$ 237,305	\$ 127,909

The amounts included in due from/to related party are unsecured, non-interest bearing and are payable on demand.

Advance receivable at December 31, 2017, includes net amounts paid to two companies controlled by an officer of the Company's Congo subsidiary in the net amount of approximately \$123,000.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

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## 7. PROPERTY, PLANT AND EQUIPMENT

The Company's property, plant and equipment are summarized as follows:

	Furniture & fixtures	Office & Communication equipment	Vehicles	Field camps and equipment	Leasehold improvements	Total
	\$	\$	\$	\$	\$	\$
<b>Cost</b>						
Balance at January 1, 2016	151,786	102,692	11,707	425,003	84,906	776,094
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Balance at December 31, 2016</b>	<b>151,786</b>	<b>102,692</b>	<b>11,707</b>	<b>425,003</b>	<b>84,906</b>	<b>776,094</b>
Additions	-	1,510	-	-	-	1,510
Disposals	-	-	-	-	-	-
<b>Balance at December 31 2017</b>	<b>151,786</b>	<b>104,202</b>	<b>11,707</b>	<b>425,003</b>	<b>84,906</b>	<b>777,604</b>
<b>Accumulated Depreciation</b>						
Balance at January 1, 2016	129,249	101,834	11,707	366,323	84,906	694,019
Additions	4,181	857	-	41,634	-	46,672
Disposals	-	-	-	-	-	-
<b>Balance at December 31, 2016</b>	<b>133,429</b>	<b>102,691</b>	<b>11,707</b>	<b>407,957</b>	<b>84,906</b>	<b>740,691</b>
Additions	3,405	189	-	17,046	-	20,640
Disposals	-	-	-	-	-	-
<b>Balance at December 31 2017</b>	<b>136,834</b>	<b>102,880</b>	<b>11,707</b>	<b>425,003</b>	<b>84,906</b>	<b>761,329</b>
<b>Carrying amounts</b>						
Balance at December 31, 2016	18,357	-	-	17,046	-	35,403
Balance at December 31, 2017	14,952	1,322	-	-	-	16,275

During the year ended December 31, 2017, depreciation in the amount of \$62 (year ended December 31, 2016 - \$42,819) was capitalized to exploration and evaluation assets.

## 8. EXPLORATION AND EVALUATION ASSETS

	North Kivu	Ngayu	Total
<b>Cost</b>			
Balance as at January 1, 2016	9,946,482	17,739,748	27,686,230
Additions	8,933	658,620	667,553
Earn-in Randgold payment	-	(646,014)	(646,014)
<b>Balance as at December 31, 2016</b>	<b>\$ 9,955,415</b>	<b>\$ 17,752,354</b>	<b>\$ 27,707,769</b>
Additions	203,541	1,236,098	1,439,639
Adjustments	-	(412,549)	(412,549)
Earn-in Randgold payment	-	(1,251,296)	(1,251,296)
<b>Balance as at December 31, 2017</b>	<b>\$ 10,158,956</b>	<b>\$ 17,324,607</b>	<b>\$ 27,483,564</b>

There is \$150,000 of intangible exploration and evaluation expenditures as at December 31, 2017. The intangibles have not been included in the table above. There have not been any additions or disposals of intangible assets since January 1, 2014.

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The Company's exploration and evaluation assets are subject to renewal of the underlying permits and rights and other government royalties.

**a. North Kivu**

The North Kivu project is situated in the North Kivu Province in eastern Congo to the northwest of Lake Edward and consists of various exploration permits. All of these exploration permits are currently under force majeure due to the poor security situation, affecting the Company's ability to carry out the desired exploration activities. The duration of the event of force majeure is added to the time limit for execution of obligations under the permits. Exploration estimates to date have not advanced to the stage of being able to identify the quantity of possible resources available for potential mining. Under force majeure, the Company has no tax payment obligations and does not lose tenure of mining titles until force majeure is lifted.

**b. Ngayu**

The Ngayu project consists of various exploration permits and is found within the Tshopo Province in the northeast of the Congo, approximately 270 kilometers northeast of Kisangani. The Ngayu project covers part of the Ngayu Archaean greenstone belt which is one of a number of greenstone belts in the north-east Congo Archaeancraton that includes the Kilo and Moto greenstone belts. These Archaean greenstone belts are the northwestern extensions of the Lake Victoria greenstone belt terrain that hosts a number of world class gold deposits including Geita and Bulyanhulu.

In 2015, due to a decrease in gold prices coupled with the reduction of the exploration budget, the Company conducted an impairment analysis whereby the carrying value of the Ngayu exploration and evaluation asset as at December 31, 2015 was assessed for possible impairment. The asset's recoverable amount was calculated applying a fair value of \$15 per ounce of gold in the ground, which was provided by a valuation analysis of an independent report on similar African exploration companies, to the Ngayu project's Makapela estimated mineral resource. Since the carrying value of the asset was determined to be higher than its recoverable amount, an impairment loss of \$2,300,000 was recorded during the year ended December 31, 2015. As at December 31, 2016 and 2017, the Company conducted an analysis of various factors and determined that there was no further impairment recognized by IFRS 6, and no evidence to support an impairment reversal.

**Randgold Agreement**

In January 2016, the Company's Congo subsidiary ("Loncor Congo") entered into an agreement with Randgold Resources (DRC) Limited ("Randgold") with respect to a portion of the Company's Ngayu project. This agreement provides for the potential future establishment of a joint venture special purpose company ("Mining Company") between Loncor Congo and Randgold. The Mining Company will be established only if exploration activities undertaken by Randgold at the Ngayu project result in an approved completed pre-feasibility study on any gold discovery meeting the investment criteria of Randgold. The agreement does not include certain parcels of land surrounding and including the Makapela and Yindi prospects which are retained by Loncor Congo and do not form part of the agreement.

Loncor Congo shall only be called upon to contribute to the future costs of the Mining Company after the approval of the completed pre-feasibility study. The parties will then (a) contribute to the funding required pro rata to their participating interests (65% for Randgold and 35% for Loncor Congo, less the free carried interest attributable to Congo authorities under applicable law, determined at the time of establishment) once the Mining Company has been established and any mining rights with respect to the area of discovery are transferred to the Mining Company, or (b) be diluted. The decision-making committee of the Mining Company will determine whether the funding is contributed (for the purpose of funding the Mining Company) by way of equity or shareholder loans.

## **9. INTANGIBLE ASSETS**

The Company's intangible assets include licenses and rights. Based on management's assessment, these intangible assets have been valued at \$1 as their fair value is nominal.

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## 10. SEGMENTED REPORTING

The Company has one operating segment: the acquisition, exploration and development of precious metal projects located in the Congo. The operations of the Company are located in two geographic locations, Canada and the Congo. Geographic segmentation of non-current assets is as follows:

December 31, 2017			
	Property, plant and equipment	Intangible assets	Exploration and evaluation
Congo	\$1,174	-	\$27,633,564
Canada	\$15,101	\$1	-
	<u>\$16,275</u>	<u>\$1</u>	<u>\$27,633,564</u>
December 31, 2016			
	Property, plant and equipment	Intangible assets	Exploration and evaluation
Congo	\$18,486	-	\$27,857,769
Canada	\$16,916	\$1	-
	<u>\$35,403</u>	<u>\$1</u>	<u>\$27,857,769</u>

## 11. ACCOUNTS PAYABLE

The following table summarizes the Company's accounts payable:

	December 31, 2017		December 31, 2016	
Exploration and evaluation expenditures	\$	2 27,537	\$	228,839
Non-exploration and evaluation expenditures	\$	1 32,114	\$	174,774
Total Accounts Payable	\$	3 59,651	\$	403,613

## 12. LOAN

On September 1, 2017, the Company received a loan from an arm's length party in the amount of \$119,565 (\$150,000 CDN) that is unsecured and bears interest at 8% per annum and is payable within one year. Total interest accrued on the loan as at December 31, 2017 is \$3,188.

## 13. SHARE CAPITAL

### a) Authorized

The authorized share capital of the Company consists of unlimited number of common shares and unlimited number of preference shares, issuable in series, with no par value. All shares issued are fully paid.

The holders of common shares are entitled to receive notice of and to attend all meetings of the shareholders of the Company and shall have one vote for each common share held at all meetings of shareholders of the Company, except for meetings at which only holders of another specified class or series of shares are entitled to vote separately as a class or series. Subject to the prior rights of the holders of the preference shares or any other share ranking senior to the common shares, the holders of the common shares are entitled to (a) receive any dividend as and when declared by the board of directors, out of the assets of the Company properly applicable to payment of dividends, in such amount and in



## **Loncor Resources Inc.**

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such form as the board of directors may from time to time determine, and (b) receive the remaining property of the Company in the event of any liquidation, dissolution or winding up of the Company.

The Company may issue preference shares at any time and from time to time in one or more series with designations, rights, privileges, restrictions and conditions fixed by the board of directors. The preference shares of each series are ranked on parity with the preference shares of every series and are entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares, with respect to priority in payment of dividends and the return of capital and the distribution of assets of the Company in the event of liquidation, dissolution or winding up of the Company.

#### **b) Issued share capital**

In February 2015, the Company closed a non-brokered private placement of 8,000,000 common shares of the Company at a price of Cdn\$0.06 per share for proceeds to the Company of Cdn\$480,000. In March 2015, the Company closed a non-brokered private placement of 3,000,000 common shares of the Company at a price of Cdn\$0.06 per share for proceeds to the Company of Cdn\$180,000. Arnold T. Kondrat, President, Chief Executive Officer and a director of the Company, purchased 3,500,000 of the shares issued under the February 2015 private placement and 500,000 of the shares under the March 2015 private placement.

In February 2016, the Company closed a non-brokered private placement of 67,000,000 common shares of the Company at a price of Cdn\$0.015 per share for gross proceeds of Cdn\$1,005,000 (the "Offering"). Arnold T. Kondrat, President, Chief Executive Officer and a director of the Company, acquired 60,000,000 of the shares issued under the Offering. Mr. Kondrat currently holds 74,300,818 (or 46.82%) of the outstanding common shares of the Company. A portion of the proceeds of the Offering were used to repay short term, non-interest bearing loans totalling Cdn\$825,000 provided to the Company by Mr. Kondrat.

In June 2016, the Company closed a non-brokered private placement of 1,750,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$210,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

In February 2017, the Company closed a non-brokered private placement of 4,000,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$480,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years. Also in February 2017, the Company closed a second non-brokered private placement of 1,500,000 units of the Company at a price of Cdn\$0.13 per unit for gross proceeds of Cdn\$195,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

As of December 31, 2017, the Company had issued and outstanding 158,689,732 common shares (December 31, 2016 - 153,189,732) and no preference shares are issued and outstanding.

#### **c) Common share purchase warrants**

As at December 31, 2017, the Company had outstanding 3,625,000 (December 31, 2016 - 875,000) common share purchase warrants. No warrants were forfeited or cancelled during the year ended December 31, 2017 (year ended December 31, 2016 - nil). The common share purchase warrants are classified as a liability because they are a derivative financial instrument due to their exercise price differing from the functional currency of the Company. The common share purchase warrants are re-valued at year and period end, with a gain or loss reported on the consolidated statement of comprehensive loss. During the year ended December 31, 2017, the Company recognized in the consolidated statement of comprehensive loss a gain of \$314,317 (2016 - loss of \$6,452) representing the change in fair value on this derivative financial instrument. The following table summarizes the Company's common share purchase warrants outstanding as at December 31, 2017:



**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

**(Expressed in U.S. dollars, except for per share amounts)**

Date of Grant	Opening Balance	Granted during period	Exercised	Expired	Closing Balance	Exercise Price	Exercise period (months)	Expiry Date	Remaining contractual life (months)
29/06/2016	875,000	-	-	-	875,000	\$ 0.18	24	29/06/2018	6
03/02/2017	-	2,000,000	-	-	2,000,000	\$ 0.18	24	03/02/2019	13
28/02/2017	-	750,000	-	-	750,000	\$ 0.18	24	28/02/2019	14
	<b>875,000</b>	<b>2,750,000</b>	<b>-</b>	<b>-</b>	<b>3,625,000</b>				

The value of the warrants was calculated using the Black-Scholes model and the assumptions at grant date and period end date were as follows:

- (i) Risk-free interest rate: 0.48% - 1.66%, which is based on the Bank of Canada benchmark bonds yield 2 year rate in effect at the time of grant for bonds with maturity dates at the estimated term of the warrants
- (ii) Expected volatility: 112.46% - 179.41%, which is based on the Company's historical stock prices
- (iii) Expected life: 1 - 2 years
- (iv) Expected dividends: \$Nil

d) **Loss per share**

Loss per share was calculated on the basis of the weighted average number of common shares outstanding for the year ended December 31, 2017 amounting to 158,074,664 (year ended December 31, 2016 - 142,123,979) common shares. The diluted weighted average number of common shares outstanding for the year ended December 31, 2017 amounted to 158,074,664 (year ended December 31, 2016 - 142,123,979) common shares. During the year ended December 31, 2017, fully diluted earnings per share calculated by adding 2,400,000 (December 31, 2016 - 3,215,000) common shares related to stock options and 3,625,000 common share purchase warrants were the same as the basic earnings per share because they were anti-dilutive.

## **14. SHARE-BASED PAYMENTS**

The Company has an incentive Stock Option Plan under which non-transferable options to purchase common shares of the Company may be granted to directors, officers, employees or consultants of the Company or any of its subsidiaries. No amounts are paid or payable by the recipient on receipt of the option, and the exercise of the options granted is not dependent on any performance-based criteria. In accordance with these programs, options are exercisable at a price not less than the last closing price of the shares at the grant date.

Under this Stock Option Plan, 25% of options granted vest on each of the 6 month, 12 month, 18 month and 24 month anniversaries of the grant date.

The following tables summarize information about stock options:

For the year ended December 31, 2017:

# Loncor Resources Inc.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015

(Expressed in U.S. dollars, except for per share amounts)

Exercise Price Range (Cdn\$)	Opening Balance	During the Period				Closing Balance	Weighted average remaining contractual life (years)	Vested & Exercisable	Unvested
		Granted	Exercised	Forfeiture	Expired				
0-0.99	2,400,000	-	-	-	-	2,400,000	3.19	1,800,000	600,000
1.00 - 1.25	815,000	-	-	(25,000)	(790,000)	-	0.00	-	-
	3,215,000	-	-	(25,000)	(790,000)	2,400,000	3.19	1,800,000	600,000
Weighted Average Exercise Price (Cdn\$)	0.31	-	-	-	-	0.06		0.06	0.06

For the year ended December 31, 2016:

Exercise Price Range (Cdn\$)	Opening Balance	During the Period				Closing Balance	Weighted average remaining contractual life (years)	Vested & Exercisable	Unvested
		Granted	Exercised	Forfeiture	Expired				
0-0.99	-	2,400,000	-	-	-	2,400,000	3.13	600,000	1,800,000
1.00 - 1.25	815,000	-	-	-	-	815,000	0.24	815,000	-
2.45 - 2.69	580,000	-	-	-	(580,000)	-	0.00	-	-
	1,395,000	2,400,000	-	-	(580,000)	3,215,000	2.40	1,415,000	1,800,000
Weighted Average Exercise Price (Cdn\$)	1.71	0.06			2.65	0.31		0.63	0.06

There were no stock options granted during the year ended December 31, 2017. The weighted average grant date fair value of stock options as at December 31, 2017 was estimated at Cdn\$0.04 per stock option (year ended December 31, 2016 - Cdn\$0.11).

During the year ended December 31, 2017, the Company recognized in the statement of comprehensive loss as an expense \$22,309 (year ended December 31, 2016 - \$55,176) representing the vesting of the fair value at the date of grant of stock options previously granted to employees, directors and officers under the Company's Stock Option Plan.

## 15. COMMITMENTS AND CONTINGENCIES

### Environmental

The Company's exploration and evaluation activities are subject to laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. The Company believes its activities are materially in compliance with all applicable laws and regulations. The Company has made, and expects to make in the future expenditures to comply with such laws and regulations.

### Lease Commitments

The Company has in place a lease agreement for the head office location in Toronto, Canada, (with monthly obligation of U.S. dollar equivalent of Cdn \$18,442) to August 2019.

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

**(Expressed in U.S. dollars, except for per share amounts)**

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**16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****a) Fair value of financial assets and liabilities**

The consolidated statements of financial position carrying amounts for cash and cash equivalents, advances receivable, balances due from and due to related parties, accounts payable, accrued liabilities and the employee retention allowance approximate fair value due to their short-term nature.

**Fair value hierarchy**

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1, 2 and 3 during the reporting period. Cash and cash equivalents are ranked Level 1 as the market value is readily observable. The carrying value of cash and cash equivalents approximates fair value, as maturities are less than three months.

The fair value of warrants (note 13c) would be included in the hierarchy as follows:

**31-Dec-17**

<b>Liabilities:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Canadian dollar common share purchase warrants	-	\$67,305	-

**31-Dec-16**

<b>Liabilities:</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Canadian dollar common share purchase warrants	-	\$85,633	-

**b) Risk Management Policies**

The Company is sensitive to changes in commodity prices and foreign-exchange. The Company's Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Although the Company has the ability to address its price-related exposures through the use of options, futures and forward contracts, it does not generally enter into such arrangements.

**c) Foreign Currency Risk**

Foreign currency risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions are denominated in Canadian dollars. The Company is also exposed to the impact of currency fluctuations on

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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its monetary assets and liabilities. Significant foreign exchange gains or losses are reflected as a separate item in the consolidated statement of comprehensive loss. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

The following table indicates the impact of foreign currency exchange risk on net working capital as at December 31, 2017. The table below also provides a sensitivity analysis of a 10 percent strengthening of the US dollar against the Canadian dollar which would have increased (decreased) the Company's net loss by the amounts shown in the table below. A 10 percent weakening of the US dollar against the Canadian dollar would have had the equal but opposite effect as at December 31, 2017.

	<b>December 31, 2017</b>
	<b>Canadian dollar</b>
Cash and cash equivalents	1,913
Accounts payable and accrued liabilities	(243,014)
Employee retention allowance	(261,138)
<b>Total foreign currency financial assets and liabilities</b>	<b>(502,239)</b>
Foreign exchange rate at December 31, 2017	0.7971
<b>Total foreign currency financial assets and liabilities in US \$</b>	<b>(400,334)</b>
<b>Impact of a 10% strengthening of the US \$ on net loss</b>	<b>(40,033)</b>

**d) Credit Risk**

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, advances receivable, and due from related parties. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal. The credit risk of advances receivable is, in management opinion, normal given ongoing relationships with those debtors.

The Company limits its exposure to credit risk on any investments by investing only in securities rated R1 (the highest rating) by credit rating agencies such as the DBRS (Dominion Bond Rating Service). Management continuously monitors the fair value of any investments to determine potential credit exposures. Short-term excess cash is invested in R1 rated investments including money market funds and other highly rated short-term investment instruments. Any credit risk exposure on cash balances is considered negligible as the Company places deposits only with major established banks in the countries in which it carries on operations.

The carrying amount of financial assets represents the maximum credit exposure. The Company's gross credit exposure at December 31, 2017 and December 31, 2016 was as follows:

	<b>December 31, 2017</b>	December 31, 2016
Cash and cash equivalents	\$20,162	\$21,520
Advances receivable	\$175,501	\$98,352
Due from related parties	\$4,518	\$0
	<b>\$200,181</b>	<b>\$119,872</b>

**e) Liquidity Risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. Temporary surplus funds of the Company are invested in short-term investments. The Company arranges the portfolio so that securities mature approximately when funds are needed. The key to success in managing liquidity is the degree of certainty in the cash flow projections. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources,

## Loncor Resources Inc.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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including cash and cash equivalents and equity capital markets. All financial obligations of the Company including accounts payable of \$359,651, accrued liabilities of \$67,132, due to related parties of \$237,305, employee retention allowance of \$208,153 and a loan of \$122,753 are due within one year.

#### f) Mineral Property Risk

The Company's operations in the Congo are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment in or loss of part or all of the Company's assets.

#### g) Capital Management

The Company manages its common shares, warrants and stock options as capital. The Company's policy is to maintain a sufficient capital base in order to meet its short term obligations and at the same time preserve investors' confidence required to sustain future development of the business.

	December 31, 2017	December 31, 2016
Share capital	\$ 77,286,874	\$ 77,048,991
Reserves	\$ 8,219,502	\$ 8,197,193
Deficit	\$ (58,650,391)	\$ (58,589,102)
Common share purchase warrants	\$ 67,305	\$ 85,633
	<u>\$ 26,923,290</u>	<u>\$ 26,742,715</u>

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than the TSX which requires adequate working capital or financial resources to maintain operations and cover general and administrative expenses.

## 17. SUPPLEMENTAL CASH FLOW INFORMATION

During the periods indicated the Company undertook the following significant non-cash transactions:

	Note	For the year ended		
		December 31, 2017	December 31, 2016	December 31, 2015
Depreciation included in exploration and evaluation assets	8	\$ 62	\$ 42,819	\$ 82,272
Employee retention allowance included in exploration and evaluation assets	18	\$ -	\$ 9,800	\$ 9,800
Exploration and evaluation expenditures by Randgold		\$ 1,251,286	\$ 250,786	\$ -

## 18. EMPLOYEE RETENTION ALLOWANCE

The Company has an incentive employee retention plan under which an amount equal to one month salary per year of service is accrued to each qualified employee up to a maximum of 10 months (or 10 years of service with the Company and/or a related company). To qualify for this retention allowance, an employee must complete two years of service with the Company and/or a related company. The full amount of retention allowance accumulated by a particular employee is paid out when the employee is no longer employed with the Company, unless other arrangements are made or unless there is a termination due to misconduct, in which case the retention allowance is forfeited. There is uncertainty about the timing and amount of these potential outflows. As at December 31, 2017, the Company estimated a total provision of \$208,153 (December 31, 2016 - \$596,849).

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015**

**(Expressed in U.S. dollars, except for per share amounts)**

The following table summarizes information about changes to the Company's employee retention provision during the year ended December 31, 2017.

	\$
Balance at December 31, 2015	570,487
Additions	21,255
Foreign exchange gain	5,107
Balance at December 31, 2016	596,849
Additions	10,396
Change in estimate	(412,549)
Foreign exchange gain	13,457
Balance at December 31, 2017	208,153

## 19. INCOME TAXES

### a) Provision for Income Taxes

Major items causing the Company's effective tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2012 – 28.25%) were as follows:

	Years Ended December 31,		
	2017	2016	2015
	\$	\$	\$
Net loss for the year	(61,287)	(497,610)	(2,417,247)
Combined federal and provincial income tax rates	26.50%	26.50%	26.50%
Income tax recovery at Canadian federal and provincial statutory rates	(16,000)	(131,867)	(640,570)
Permanent differences	(77,000)	13,679	(49,263)
Difference between Canadian rates and rates applicable to subsidiary in the Foreign Jurisdictions	-	-	(80,501)
Foreign exchange differences	-	(91,671)	575,147
Other	2,000	7,219	1,887
Change in unrecognized deferred tax asset	91,000	202,640	193,300
Income tax expense	-	-	-

### b) Deferred Income Taxes

Deferred income taxes assets have not been recognized in respect to the following deductible temporary differences:

	2017	2016
	\$	\$
Non-capital losses carried forward	15,953,000	13,514,706
Financing costs - Canada	7,000	-
Fixed assets - Canada	255,000	185,547
Exploration and evaluation properties - Congo	31,242,000	31,000,260
Total	47,457,000	44,700,513

Non-capital losses in Canada expire in the following years:

**Loncor Resources Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****As at December 31, 2017 and 2016 and for the years ended December 31, 2017, 2016 and 2015****(Expressed in U.S. dollars, except for per share amounts)**

2026	\$	46,000
2027		215,000
2028		772,000
2029		879,000
2030		1,982,000
2031		3,381,000
2032		2,852,000
2033		2,538,000
2034		1,135,000
2035		810,000
2036		798,000
2037		545,000
	\$	15,953,000



## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017

The following management's discussion and analysis ("**MD&A**"), which is dated as of April 2, 2018, provides a review of the activities, results of operations and financial condition of Loncor Resources Inc. (the "**Company**" or "**Loncor**") as at and for the financial year of the Company ended December 31, 2017, ("**fiscal 2017**") in comparison with those as at and for the financial year of the Company ended December 31, 2016 ("**fiscal 2016**"), as well as future prospects of the Company. This MD&A should be read in conjunction with the audited consolidated financial statements of the Company for fiscal 2017 and fiscal 2016 (the "**Annual Financial Statements**"). As the Company's consolidated financial statements are prepared in United States dollars, all dollar amounts in this MD&A are expressed in United States dollars unless otherwise specified. Additional information relating to the Company, including the Company's annual report on Form 20-F dated April 2, 2018, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on EDGAR at [www.sec.gov](http://www.sec.gov).

### Forward-Looking Statements

The following MD&A contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding exploration results, potential mineral resources, potential mineralization and future plans and objectives of the Company) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, risks related to the exploration stage of the Company's mineral properties, uncertainties relating to the availability and costs of financing needed in the future, the possibility that future exploration results will not be consistent with the Company's expectations, changes in equity markets, changes in commodity prices, failure to establish estimated mineral resources (the Company's mineral resource figures are estimates and no assurances can be given that the indicated levels of gold will be produced), fluctuations in currency exchange rates, inflation, political developments in the Democratic Republic of the Congo (the "**DRC**"), changes to regulations affecting the Company's activities, delays in obtaining or failure to obtain required project approvals, the uncertainties involved in interpreting geological data and the other risks involved in the mineral exploration business. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new



information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.

## **General**

Loncor is a mineral exploration company with a primary focus on gold. The Company's mineral properties are in the Tshopo and North Kivu provinces of the DRC where the Company holds or controls rights under 59 exploration permits (PR's), directly through a wholly-owned DRC subsidiary, Loncor Resources Congo SARL, or under option agreements with the holders of the permits. At the Ngayu project in Tshopo Province, the Company, through its DRC subsidiary, has 12 PR's, while at the North Kivu project the Company has 47 PR's through its DRC subsidiary or under option from third parties. All of the 47 North Kivu PR's are currently under force majeure due to the poor security situation in much of the North Kivu province.

In January 2017, the Company announced preliminary results of the geophysical airborne survey (the "Survey") undertaken by Randgold Resources (DRC) Limited ("Randgold") as part of its joint venture with Loncor relating to Loncor's Ngayu project. The Survey provided a valuable additional layer of geological information through mapping the conductivity nature of the Ngayu belt. The new data has assisted with resolving the lithological nature of the belt as well as assisting in identifying major structures and areas of structural complexity. Preliminary observations highlighted key areas of structural complexity in the Imva fold area that are geochemically anomalous, together with the extension of the Yindi and Adumbi structures, which form the core of the ten areas of interest prioritized for follow-up work by Randgold under the joint venture with Loncor.

In February 2017, the Company closed a non-brokered private placement of 4,000,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$480,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years. Also in February 2017, the Company closed a second non-brokered private placement of 1,500,000 units of the Company at a price of Cdn\$0.13 per unit for gross proceeds of Cdn\$195,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

In May 2017, the Company announced that Randgold had commenced exploration ground work on priority targets resulting from the Survey undertaken by Randgold.

## Qualified Person

William R. Wilson, a director of the Company and a "qualified person" as such term is defined in National Instrument 43-101, has reviewed and approved the technical information in this MD&A.

## Technical Reports

Additional information with respect to the Company's Ngayu project is contained in the technical report of Venmyn Rand (Pty) Ltd dated May 29, 2012 and entitled "Updated National Instrument 43-101 Independent Technical Report on the Ngayu Gold Project, Orientale Province,

Democratic Republic of the Congo". Additional information with respect to the Company's North Kivu project is contained in the technical report of Venmyn Rand (Pty) Ltd dated February 29, 2012 and entitled "National Instrument 43-101 Independent Technical Report on the Manguredjipa Gold Project, North Kivu Province, Democratic Republic of the Congo". A copy of each of the said reports can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov).

## Selected Annual Information

The following financial data is derived from the Company's consolidated financial statements for each of the three most recently completed financial years. This financial data has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

	2017	2016	2015
Net loss	\$ (61,287)	\$ (497,610)	\$ (2,417,247)
Net loss per share	\$ (0.00)	\$ (0.00)	\$ (0.03)
Total assets	\$ 27,918,284	\$ 28,081,016	\$ 28,049,026
Total liabilities	\$ 1,062,299	\$ 1,423,934	\$ 1,757,508

For fiscal 2017, the Company had a net loss of \$61,287, a decrease from the prior year loss of \$497,610 mainly due to a gain on derivative financial instruments of \$314,317 and to an adjustment of accrued and other liabilities of \$207,707 during fiscal 2017.

For fiscal 2016, the Company had a net loss of \$497,610, a decrease from the prior year mainly due to an impairment of \$2,300,000 recorded by the Company in 2015 to adjust the carrying value of the Ngayu project to its fair value. Also contributing to the decrease in net loss was reduced exploration activities and funding of exploration expenditures by Randgold under a farm-in arrangement whereby exploration and evaluation expenditures incurred by Randgold are recorded on a cost-based approach and accounted in the same way as they would for expenditures directly incurred by the Company. Exploration and evaluation expenditures incurred by Randgold are offset by funding received from Randgold such that no liability is recorded until a pre-feasibility study is completed and approved

## Results of Operations

For the year ended December 31, 2017, the Company reported a net loss of \$61,287 compared to a net loss of \$497,610 for the year ended December 31, 2016. Expenses capitalized to mineral properties are discussed under the "Exploration and Evaluation Expenditures" section below. Significant changes in expenses occurred during the year ended December 31, 2017 in the expense categories described below as compared to the year ended December 31, 2016:

### *Consulting, management and professional fees*

Consulting, management and professional fees decreased to \$105,092 from \$138,498 incurred during the prior year ended December 31, 2016. Professional fees decreased due to lower legal fees in relation to the Company's general corporate activities during the year ended December 31, 2017.

*Travel and promotion*

The Company incurred travel and promotion expenses of \$163,584 during the year ended December 31, 2017 compared to \$76,489 incurred during the prior year ended December 31, 2016. Costs related to shareholder relations and business promotion activities increased during the year ended December 31, 2017 due to corporate activities related to securing new financing.

*Employee benefits*

The Company's employee benefits expense was \$224,790 for the year ended December 31, 2017 compared to \$188,877 incurred during the prior year ended December 31, 2016. The increase was mainly due to additional personnel being paid out of the corporate office.

*Office and sundry*

Office and sundry expenses increased to \$47,932 during the year ended December 31, 2017 from \$45,503 during the prior year ended December 31, 2016.

*Foreign exchange loss/gain*

The Company recorded a foreign exchange loss of \$12,933 during the year ended December 31, 2017 compared to a foreign exchange gain of \$17,774 for the prior year ended December 31, 2016. This change was due to fluctuations in the value of the United States dollar relative to the Canadian dollar.

*Compensation expense-share-based payment*

The fair value of employee share-based payment expense was \$22,309 during the year ended December 31, 2017 compared to \$55,176 incurred during the year ended December 31, 2016. This was related to share-based compensation options issued to employees, directors and officers of the Company in 2016.

*Loss /gain on derivative instruments*

During the year ended December 31, 2017, the Company recognized a gain of \$314,317 compared to a loss of \$6,452 recognized during the prior year ended December 31, 2016. This represents the change in fair value of the outstanding common share purchase warrants.

## **Summary of Quarterly Results**

The following table sets out certain unaudited consolidated financial information of the Company for each of the last eight quarters, beginning with the fourth quarter of 2017. This financial information has been prepared using accounting policies consistent with International Accounting Standards ("IAS") 34 Interim Financial Reporting issued by the International Accounting Standards Board ("IASB"). The Company's presentation and functional currency is the United States dollar.

	<b>2017</b>	<b>2017</b>	<b>2017</b>	<b>2017</b>
	<b>4<sup>th</sup> Quarter</b>	<b>3rd Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
Net income/(loss)	\$ 143,385	\$ 80,837	\$ (104,924)	\$ (180,585)
Net income/(loss) per share	\$ 0.00	\$ 0.00	\$ (0.00)	\$ (0.00)
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2016</b>
	<b>4<sup>th</sup> Quarter</b>	<b>3rd Quarter</b>	<b>2<sup>nd</sup> Quarter</b>	<b>1<sup>st</sup> Quarter</b>
Net loss	\$ (66,013)	\$ (78,145)	\$ (151,595)	\$ (201,857)
Net loss per share	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)

The Company had net income for the fourth quarter of 2017 of \$143,385 compared to net income of \$80,837 incurred during the third quarter of 2017. The change in results between the quarters was related to a gain on derivative instruments of \$314,317 incurred during the fourth quarter of 2017 compared to a gain on derivative instruments of \$145,295 incurred during the third quarter of 2017, as well as an adjustment of accrued and other liabilities.

The Company had net income for the third quarter of 2017 of \$80,837 compared to a net loss of \$104,924 incurred during second quarter of 2017. The net income was due in part to a foreign exchange gain of \$53,343 during the third quarter of 2017 compared to a foreign exchange loss of \$49,417 incurred during the second quarter of 2017. The net income was also due to a gain on derivative instruments which was \$145,295 during the third quarter of 2017 compared to \$114,752 during the second quarter of 2017.

The Company's net loss for the second quarter of 2017 decreased to \$104,901 compared to a net loss of \$180,585 during the first quarter of 2017. The decrease in net loss was mainly due to an increase in the gain on derivative instruments which was \$114,752 during the second quarter of 2017 compared to a loss of \$27,019 in the first quarter of 2017. The increase in the gain on derivative instruments was partially offset by an increase in foreign exchange loss which was \$49,417 in the second quarter of 2017 compared to \$12,777 in the first quarter of 2017. The increase in the gain on derivative instruments was also partially offset by an increase in travel and promotion expenses which were \$57,517 during the second quarter of 2017 compared to \$35,695 during the first quarter of 2017.

The Company's net loss for the first quarter of 2017 increased to \$180,585 compared to a net loss of \$66,013 during the fourth quarter of 2016. The increase in net loss was partly due to an increase in travel and promotion expenses which were \$35,695 in the first quarter of 2017 compared to \$4,088 in the fourth quarter of 2016. Additionally, there was also an increase in consulting, management and professional fees which were \$23,311 in the first quarter of 2017 compared to \$6,336 in the fourth quarter of 2016. The increase in net loss was also partly due to an increase in foreign exchange loss which was \$12,777 in the first quarter of 2017 compared to a gain of \$46,161 in the fourth quarter of 2016.

The Company's net loss for the fourth quarter of 2016 decreased to \$66,013 compared to a net loss of \$78,145 in the third quarter of 2016. The decrease in net loss was partly due to a decrease in travel and promotion expenses which were \$4,088 in the fourth quarter of 2016 compared to \$28,235 in the third quarter of 2016. Additionally, there was also a decrease in consulting and professional fees which were \$6,336 in the fourth quarter of 2016 compared to \$28,648 in the third quarter of 2016. The decrease in net loss was also partly due to an increase

in foreign exchange gain of \$46,161 in the fourth quarter of 2016 compared to \$15,174 in the third quarter of 2016. The decrease in travel and promotion expenses and consulting and management fees and the increase in foreign exchange gain were partially offset by an increase in the loss on derivative instruments which was \$32,869 in the fourth quarter of 2016 compared to a gain of \$38,543 in the third quarter of 2016.

The Company's net loss for the third quarter of 2016 decreased to \$78,145 compared to a net loss of \$151,595 in the second quarter of 2016. The decrease in net loss was partly due to an increase in the gain on derivative instruments from a loss of \$12,126 in the second quarter of 2016 compared to a gain \$38,543 in the third quarter of 2016. The decrease in net loss was also partly due to a foreign exchange gain of \$15,174 in the third quarter of 2016 compared to a foreign exchange loss of \$660 in the second quarter of 2016.

The Company's net loss for the second quarter of 2016 decreased to \$151,595 compared to a net loss of \$201,857 in the first quarter of 2016. The decrease in net loss was mainly due to a decrease in foreign exchange loss, which had been \$42,901 in the first quarter of 2016 compared to \$660 in the second quarter of 2016.

## **Liquidity and Capital Resources**

The Company historically relies primarily on equity financings to fund its activities. Although the Company has been successful in completing equity financings in the past, there is no assurance that the Company will secure the necessary financings in the future. The volatility in the gold price has made it more difficult to secure equity financing for many exploration companies.

As at December 31, 2017, the Company had cash and cash equivalents of \$20,162 and a working capital deficit of \$726,550 compared to cash and cash equivalents of \$21,520 and a working capital deficit of \$1,150,458 as at December 31, 2016.

During the year ended December 31, 2017, the Company incurred cash exploration expenditures of \$1,423,630 (year ended December 31, 2016: \$254,454). A breakdown of all exploration expenditures is presented below under "Exploration and Evaluation Expenditures".

In February 2017, the Company closed a non-brokered private placement of 4,000,000 units of the Company at a price of Cdn\$0.12 per unit for gross proceeds of Cdn\$480,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years. Also, in February 2017, the Company closed a second non-brokered private placement of 1,500,000 units of the Company at a price of Cdn\$0.13 per unit for gross proceeds of Cdn\$195,000. Each such unit was comprised of one common share of the Company and one-half of one warrant of the Company, with each full warrant entitling the holder to purchase one common share of the Company at a price of Cdn\$0.18 for a period of two years.

The Company has strategically reduced budgets significantly and implemented cost cutting measures having regard to current market conditions and its low cash position and working capital deficiency. As is typical for an exploration company, the Company will need to raise additional funds to continue its activities. The Company expects to raise such additional funds through offerings of its shares. However, if the Company raises additional funds by issuing additional shares, the ownership percentages of existing shareholders will be reduced and the

securities that the Company may issue in the future may have rights, preferences or privileges senior to those of the current holders of the Company's common shares. Such securities may also be issued at a discount to the market price of the Company's common shares, resulting in possible further dilution to the book value per share of common shares. If the Company is unable to raise sufficient funds through equity offerings, it may need to sell an interest in its properties. There can be no assurance the Company would be successful in selling any such interest.

#### Contractual Obligations

The Company's contractual obligations as at December 31, 2017 are described in the following table:

<b>Contractual Obligation</b>		Payments due by period	
		Payments due less than 1 year	Payments due in 1-3 years
	Total		
Loan	\$122,753	\$122,753	-

The Company also has in place a lease agreement for the head office location in Toronto, Canada.

#### **Exploration and Evaluation Expenditures**

The following table provides a breakdown of exploration and evaluation expenditures incurred during the year ended December 31, 2017:

	<u>North Kivu Project</u>	<u>Ngayu Project</u>	<u>Total</u>
<b>Balance 12/31/2016</b>	<b>\$ 10,105,415</b>	<b>\$ 17,752,354</b>	<b>\$ 27,857,769</b>
Field camps expenses	-	21,968	21,968
Geophysics	-	174	174
Geochemistry	8,443	75,985	84,428
Geology	20,159	181,433	201,592
Professional fees	58,967	150,445	209,412
Business promotion	-	1,343	1,343
Travel	9,226	98,927	108,153
Office and sundry	74,373	278,159	352,532
Interest and bank charges	16,508	3,043	19,551
Salaries	1,521	22,709	24,230
Amortization	1,732	15,583	17,315
Other	12,612	386,329	398,941
Expenditures for the period	203,541	1,236,098	1,439,639
Retention allowance adjustment	-	(412,549)	(412,549)
Funding from Randgold	-	(1,251,296)	(1,251,296)
<b>Balance 12/31/2017</b>	<b>\$10,308,956</b>	<b>\$17,324,607</b>	<b>\$27,633,564</b>

The following table provides a breakdown of exploration and evaluation expenditures incurred during the year ended December 31, 2016:

	<u>North Kivu Project</u>	<u>Ngayu Project</u>	<u>Total</u>
<b>Balance 12/31/2015</b>	<b>\$ 10,096,482</b>	<b>\$ 17,739,748</b>	<b>\$ 27,836,230</b>
Professional fees	1,100	27,120	28,220
Travel	37	4,095	4,132
Office and sundry	1,238	155,382	156,620
Surveying costs	-	395,230	395,230
Interest and bank charges	1,188	3,933	5,121
Salaries	1,071	9,653	10,724
Amortization	4,282	38,537	42,819
Gain on disposal of assets	(10)	(2,390)	(2,400)
Other	27	25,203	25,230
Expenditures for the period	8,933	658,620	667,553
Funding from Randgold	-	(646,014)	(646,014)
<b>Balance 12/31/2016</b>	<b>\$10,105,415</b>	<b>\$17,752,354</b>	<b>\$27,857,769</b>

## Outstanding Share Data

The authorized share capital of the Company consists of an unlimited number of common shares and an unlimited number of preference shares, issuable in series. As at April 2, 2018, the Company had outstanding 158,689,732 common shares, 2,400,000 stock options to purchase common shares and 3,625,000 common share purchase warrants.

## Related Party Transactions

### a) Key Management Personnel

Key management includes directors (executive and non-executive), the Chief Executive Officer ("CEO"), the Chief Financial Officer, and the senior executives reporting directly to the CEO. The remuneration of the key management of the Company as defined above, during the years ended December 31, 2017, December 31, 2016 and December 31 2015 was as follows:

	<u>For the year ended</u>		
	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Salaries	\$ 124,746	\$ 137,458	\$ 145,067
Employee retention allowance	\$ 10,396	\$ 11,455	\$ 9,090
Compensation expense-share-based payments	\$ 22,309	\$ 55,176	\$ -
	<b>\$ 157,451</b>	<b>\$ 204,088</b>	<b>\$ 154,157</b>

#### b) Other Related Parties

As at December 31, 2017, an amount of \$4,518 was due from Kuuhubb Inc. (formerly Delrand Resources Limited), a company with common directors, incurred in connection with common expenses (December 31, 2016 - \$nil).

As at December 31, 2017, an amount of \$75,670 relating to consulting fees and advances provided to the Company was due to Arnold Kondrat, a director and officer of the Company (December 31, 2016 - \$77,443).

As at December 31, 2017, an amount of \$161,635 was due to Gentor Resources Inc. (a company with common directors) related to common expenses (December 31, 2016 - \$49,085).

	December 31, 2017	December 31, 2016
Due from related party	\$ 4,518	\$ -
Due to related parties	\$ 237,305	\$ 127,909

#### Accounting Standards Issued But Not Yet Effective

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on the Company:

IFRS 9, Financial instruments ("**IFRS 9**") was issued by the International Accounting Standards Board ("**IASB**") on July 24, 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is intended to reduce the complexity for the classification, measurement, and impairment of financial instruments. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. The mandatory effective date is for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of this standard on its consolidated financial statements.

IFRS 16, Leases ("**IFRS 16**") was issued by the IASB in January 2016 and will replace IAS 17 Leases. IFRS 16 specifies the methodology to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The mandatory effective date is for annual periods beginning on or after



January 1, 2019. The Company is evaluating the impact of this standard on its consolidated financial statements.

## **Critical Accounting Estimates**

The preparation of the Company's consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Information about critical judgments in applying accounting policies and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements included the following:

### **Estimates:**

#### **Impairment**

Assets, including property, plant and equipment and exploration and evaluation assets, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their recoverable amounts. The assessment of the fair value often requires estimates and assumptions such as discount rates, exchange rates, commodity prices, rehabilitation and restoration costs, future capital requirements and future operating performance. Changes in such estimates could impact recoverable values of these assets. Estimates are reviewed regularly by management.

#### **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock option, volatility and dividend yield and making assumptions about them.

For warrant-based derivative financial instruments, the Company uses the Black-Scholes option pricing model to estimate fair value of the derivative instruments. The assumptions and models used for estimating fair value of warrant-based derivative financial instruments are disclosed in Note 13 of the Annual Financial Statements.

### **Judgments:**

#### **Provisions and contingencies**

The amount recognized as provision, including legal, contractual and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves

the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available, relevant tax laws and other appropriate requirements.

#### Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

#### Exploration and evaluation expenditure

The application of the Company's accounting policy for exploration and evaluation expenditure requires significant judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. There are key circumstances that would indicate a test for impairment is required, which include: the expiry of the right to explore, substantive expenditure on further exploration is not planned, exploration for and evaluation of the mineral resources in the area have not led to discovery of commercially viable quantities, and/or sufficient data exists to show that the carrying amount of the asset is unlikely to be recovered in full from successful development or by sale. If information becomes available suggesting impairment, the amount capitalized is written off in the consolidated statement of comprehensive loss during the year the new information becomes available.

Significant judgements have been made with regards to the potential for indicators of impairment. This includes judgements related to the ability to carry out the desired exploration activities as a result of various permits currently being under force majeure due to the poor security situation at the North Kivu property and the need to allocate resources amongst different projects based on the availability of capital and funding.

#### Functional and presentation currency

Judgment is required to determine the functional currency of the Company and its subsidiaries. These judgments are continuously evaluated and are based on management's experience and knowledge of the relevant facts and circumstances.

### **Financial Risk Management**

#### Fair Value of Financial Assets and Liabilities

The consolidated statements of financial position carrying amounts for cash and cash equivalents, advances receivable, balances due from/to related parties, accounts payable, accrued liabilities and the employee retention allowance approximate fair value due to their short-term nature. Due to the use of subjective judgments and uncertainties in the determination of fair values these values should not be interpreted as being realizable in an immediate settlement of the financial instruments.

## Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between Level 1, 2 and 3 during the reporting period. Cash and cash equivalents are ranked Level 1 as the market value is readily observable. The carrying value of cash and cash equivalents approximates fair value, as maturities are less than three months. The fair value of warrants would be ranked in the hierarchy as Level 2.

## Foreign Currency Risk

Foreign exchange risk is the risk that a variation in exchange rates between the United States dollar and Canadian dollar or other foreign currencies will affect the Company's operations and financial results. A portion of the Company's transactions is denominated in Canadian dollars. Significant foreign exchange gains or losses are reflected as a separate component of the consolidated statement of comprehensive loss. The Company does not use derivatives instruments to reduce its exposure to foreign currency risk. See Note 16(c) of the Annual Financial Statements for additional details.

## Credit Risk

Financial instruments which are potentially subject to credit risk for the Company consist primarily of cash and cash equivalents, advances receivable and due from related parties. Cash and cash equivalents are maintained with several financial institutions of reputable credit and may be redeemed upon demand. It is therefore the Company's opinion that such credit risk is subject to normal industry risks and is considered minimal. See Note 16(d) of the Annual Financial Statements for additional details.

## Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company attempts to ensure that there is sufficient cash to meet its liabilities when they are due and manages this risk by regularly evaluating its liquid financial resources to fund current and long-term obligations and to meet its capital commitments in a cost-effective manner. If future cash flows are fairly uncertain, the liquidity risk increases. The Company's liquidity requirements are met through a variety of sources, including cash and cash equivalents, and equity capital markets.

## Mineral Property Risk

The Company's operations in the DRC are exposed to various levels of political risk and uncertainties, including political and economic instability, government regulations relating to exploration and mining, military repression and civil disorder, all or any of which may have a material adverse impact on the Company's activities or may result in impairment or loss of part or all of the Company's assets.

## Risks and Uncertainties

The Company is subject to a number of risks and uncertainties that could significantly impact its operations and future prospects. The following discussion pertains to certain principal risks and uncertainties but is not, by its nature, all inclusive.

All of the Company's projects are located in the DRC. The assets and operations of the Company are therefore subject to various political, economic and other uncertainties, including, among other things, the risks of war and civil unrest, hostage taking, military repression, labor unrest, illegal mining, expropriation, nationalization, renegotiation or nullification of existing licenses, permits, approvals and contracts, taxation policies, foreign exchange and repatriation restrictions, changing political conditions, international monetary fluctuations, currency controls and foreign governmental regulations that favor or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Changes, if any, in mining or investment policies or shifts in political attitude in the DRC may adversely affect the Company's operations. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety. Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights could result in loss, reduction or expropriation of entitlements. In addition, in the event of a dispute arising from operations in the DRC, the Company may be subject to the exclusive jurisdiction of foreign courts or may not be successful in subjecting foreign persons to the jurisdiction of courts in Canada. The Company also may be hindered or prevented from enforcing its rights with respect to a governmental instrumentality because of the doctrine of sovereign immunity. It is not possible for the Company to accurately predict such developments or changes in laws or policy or to what extent any such developments or changes may have a material adverse effect on the Company's operations.

The DRC is a developing nation emerging from a period of civil war and conflict. Physical and institutional infrastructure throughout the DRC is in a debilitated condition. The DRC is in transition from a largely state controlled economy to one based on free market principles, and from a non-democratic political system with a centralized ethnic power base, to one based on more democratic principles. There can be no assurance that these changes will be effected or that the achievement of these objectives will not have material adverse consequences for the Company and its operations. The DRC continues to experience instability in parts of the country due to certain militia and criminal elements. While the government and United Nations forces are working to support the extension of central government authority throughout the country, there can be no assurance that such efforts will be successful.

The only sources of future funds for further exploration programs which are presently available to the Company are the sale of equity capital, or the offering by the Company of an interest in its

properties to be earned by another party carrying out further exploration. There is no assurance that such sources of financing will be available on acceptable terms, if at all. In the event that commercial quantities of minerals are found on the Company's properties, the Company does not have the financial resources at this time to bring a mine into production.

All of the Company's properties are in the exploration stage only and none of the properties contain a known body of commercial ore. The Company currently operates at a loss and does not generate any revenue from its mineral properties. The exploration and development of mineral deposits involve significant financial risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not eliminate. Few properties which are explored are ultimately developed into producing mines. Major expenditures may be required to establish reserves by drilling and to construct mining and processing facilities at a site. It is impossible to ensure that the Company's exploration programs will result in a profitable commercial mining operation.

The Company's mineral resources are estimates and no assurances can be given that the indicated levels of gold will be produced. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. Valid estimates made at a given time may significantly change when new information becomes available. While the Company believes that its resource estimates are well established, by their nature resource estimates are imprecise and depend, to a certain extent, upon statistical inferences, which may ultimately prove unreliable. If such estimates are inaccurate or are reduced in the future, this could have a material adverse impact on the Company. In addition, there can be no assurance that gold recoveries or other metal recoveries in small-scale laboratory tests will be duplicated in larger scale tests under on-site conditions or during production.

The Company's exploration and, if such exploration is successful, development of its properties is subject to all of the hazards and risks normally incident to mineral exploration and development, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.

The price of gold has fluctuated widely. The future direction of the price of gold will depend on numerous factors beyond the Company's control including international, economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, global or regional consumption patterns, speculative activities and increased production due to new extraction developments and improved extraction and production methods. The effect of these factors on the price of gold, and therefore on the economic viability of the Company's properties, cannot accurately be predicted. As the Company is only at the exploration stage, it is not yet possible for the Company to adopt specific strategies for controlling the impact of fluctuations in the price of gold.

The Company uses the United States dollar as its functional currency. Fluctuations in the value of the United States dollar relative to the Canadian dollar could have a material impact on the Company's consolidated financial statements by creating gains or losses. The Company recorded a foreign exchange loss of \$12,933 during the year ended December 31, 2017, compared to a foreign exchange gain of \$17,774 during the year ended December 31, 2016, due to the variation in the value of the United States dollar relative to the Canadian dollar. No currency hedge policies are in place or are presently contemplated.

The natural resource industry is intensely competitive in all of its phases, and the Company competes with many companies possessing greater financial resources and technical facilities than itself.

Reference is made to the Company's annual report on Form 20-F dated April 2, 2018 for additional risk factor disclosure (a copy of such document can be obtained from SEDAR at [www.sedar.com](http://www.sedar.com) and EDGAR at [www.sec.gov](http://www.sec.gov)).

## **Disclosure Controls and Procedures**

Management is responsible for establishing and maintaining adequate internal controls over disclosure controls and procedures, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* of the Canadian Securities Administrators and Rules 13a-15(e) and Rule 15d-15(e) under the United States Exchange Act of 1934, as amended. Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Company's Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure. As at December 31, 2017, management of the Company, with the participation of the Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities laws. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 2017, the disclosure controls and procedures were adequately designed and effective in ensuring that information required to be disclosed by the Company it files or submits under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws and that material information is accumulated and communicated to management of the Company, including the Chief Executive Officer and the Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## **Internal Control Over Financial Reporting**

Internal controls have been designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. As at December 31, 2017, the Company's Chief Executive Officer and Chief Financial Officer evaluated or caused to be evaluated under their supervision the effectiveness of the Company's internal control over financial reporting. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control – Integrated Framework of 2013. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that, as of December 31, 2017, the Company's internal control over financial reporting was effective to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The Company is required under Canadian securities laws to disclose herein any change in the Company's internal control over financial reporting that occurred during the Company's most recent period that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. There were no changes in the Company's internal control over financial reporting during the year ended December 31, 2017, that management believes have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that a control system, including the Company's disclosure controls and procedures system and internal control over financial reporting system, no matter how well conceived can provide only reasonable, but not absolute, assurance that the objective of the control system will be met and it should not be expected that the Company's disclosure controls and procedures system and internal control over financial reporting will prevent or detect all reporting deficiencies whether caused by either error or fraud.