This discussion and analysis (this "MD&A") is management's assessment of the results and financial condition of SolGold plc ("SolGold" or the "Company") for the quarter and six months ended 31 December 2018 and should be read in conjunction with the Company's unaudited interim condensed consolidated financial statements for the period ended 31 December 2018 and 2017 and the notes thereto. The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Management is responsible for the preparation of the financial statements and this MD&A. Unless otherwise stated, all amounts discussed in this MD&A are denominated in Australian dollars.

Mr James Gilbertson (CP, BSc. Geology, MSc. Mining Geology) of SRK Exploration Services is an independent "Qualified Person" (as defined in National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101")), responsible for the technical information reported herein, including verification of the data disclosed.

Mr Jason Ward (CP, B.Sc. Geol.), the Chief Geologist of the Company is a "Qualified Person" as defined in NI 43-101 and has reviewed and approved the technical information in this MD&A with respect to all of the Company's properties.

The information included in this MD&A is as of 13 February 2019 and all information is current as of such date. Readers are encouraged to read the Company's Regulatory News Service ("RNS") announcements filed on the London Stock Exchange and on the System for Electronic Document Analysis and Retrieval ("SEDAR") under the Company's issuer profile at www.sedar.com.

## DESCRIPTION OF BUSINESS

SolGold is a UK incorporate company that is based in Brisbane, Australia, dual LSE and TSX-listed (SOLG on both exchanges) copper gold exploration and future development company with assets in Ecuador, Solomon Islands and Australia. SolGold' s primary objective is to discover and define world-class copper-gold deposits. Cascabel, SolGold' s 85% owned "World Class" (Refer to www.solgold.com.au/cautionary-notice/) flagship copper-gold porphyry project, is located in northern Ecuador on the under-explored northern section of the richly endowed Andean Copper Belt. Having fulfilled its earn-in requirements SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in Exploraciones Novomining
S.A. ("ENSA") and approximately 4.92% of TSX-V-listed Cornerstone Capital Resources Inc. ("Cornerstone"), which holds the remaining 15% of ENSA, the Ecuadorian registered company which holds 100% of the Cascabel concession.

SolGold' s Board and Management Team have substantial vested interests in the success of the Company as shareholders as well as strong track records in the areas of exploration, mine appraisal and development, investment, finance and law. SolGold' s experience is augmented by state of the art geophysical and modelling techniques and the guidance of porphyry copper and gold expert Dr Steve Garwin.



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## RESULTS OF OPERATIONS

### *OVERALL PERFORMANCE*

SolGold is a leading exploration company focussed on the discovery and definition of world-class copper and gold deposits. In 2017 and again in 2018, SolGold's management team was recognised by the "Mines and Money" Forum as an example of excellence in the industry and continue to strive to deliver objectives efficiently and in the interests of shareholders. SolGold is the largest and most active concession holder in Ecuador and is aggressively exploring the length and breadth of this highly prospective and gold-rich section of the Andean Copper Belt.

The Alpala deposit is the main target in the Cascabel concession, located on the northern section of the heavily endowed Andean Copper Belt, the entirety of which is renowned as the base for nearly half of the world's copper production. The project area hosts mineralisation of Eocene age, the same age as numerous Tier 1 deposits along the Andean Copper Belt in Chile and Peru to the south. The project base is located at Rocafuerte within the Cascabel concession in northern Ecuador, an approximately three-hour drive on sealed highway north of Quito, close to water, power supply and Pacific ports.

Alpala has produced some of the greatest drill hole intercepts in porphyry copper-gold exploration history, as exemplified by Hole 12 (CSD-16-012) returning 1560m grading 0.59% copper and 0.54 g/t gold including, 1044m grading 0.74% copper and 0.54 g/t gold.

Over 180,000m of diamond drilling has been completed on the project. With 12 rigs currently active on the project, SolGold produces up to approximately 10,000m of core every month. SolGold continues to be encouraged by recent drilling results, which are expected to further expand and enrich the existing resource base at Alpala. The Company is also excited about notable drill hole results outside the previous resource area which promise further growth for the 2019 drilling campaign ahead.

The 2019 drilling campaign has a primary focus on further resource growth at Alpala and in the surrounding areas, as well as infill drilling to increase the Mineral Resource confidence level. A preliminary drilling program comprising 70,000 -80,000m of drilling utilising 10 machines is envisaged for the coming year; SolGold has a budget of some US$35 million for the program. The 2019 drilling objectives which are to continue to infill and expand the deposit at Alpala Southeast, Alpala Northwest, Trivinio and Alpala Western Limb.

SRK Consulting (UK) Limited was retained by SolGold to prepare an updated Mineral Resource Estimate and an independent 43-101 report on the Alpala Deposit. The updated resource estimate released on the 3rd of January 2019 represents an increase in the overall reported resource of 108% (by metal content) from 7.4Mt CuEq in Dec 2017 Maiden MRE (MRE#1) using at 0.3% CuEq cut-off, to the current 15.4 Mt CuEq using a 0.2% CuEq cut-off.

SolGold has appointed a feasibility manager to initially address the production of a preliminary economic assessment (PEA), prior to the prefeasibility and feasibility studies.

On 19 October 2018, the Company entered into an agreement with BHP Billiton Holdings Limited ("BHP") pursuant to which BHP subscribed for 100 million shares at £0.45 to raise £45 million (A$83 million). The funds will substantially be used for funding of the Cascabel Project in 2019 including a concerted focus on the further expansion of the Alpala resource, completion of the preliminary economic analysis currently underway and the pre-feasibility studies currently targeted for end 2019.

SolGold is using its successful and cost-efficient blueprint established at Alpala, and Cascabel generally, to explore for additional world class copper and gold projects across Ecuador. SolGold is the largest and most active concessionaire in Ecuador having recognised as early as 2014 that the country hosted the same untested prospectivity as the Northern Chilean section of the Andean Copper Belt, which accounts for some 25% of the world's copper resources.



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The Company believes Alpala is just the beginning for SolGold in Ecuador. The Company wholly owns four other subsidiaries active throughout the country that are now focussed on ten high priority gold and copper resource targets, several of which the Company believes have the potential, subject to resource definition and feasibility, to be developed in close succession or even on a more accelerated basis from Alpala.

## *OPERATING RESULTS*

***The quarter ended 31 December 2018 compared with the quarter ended 31 December 2017***

The Company incurred a loss after tax of A$33,515,074 and loss per share of 1.8 cents per share for the quarter ended 31 December 2018 compared to a loss after tax of A$5,873,614 and loss per share of 0.4 cents per share for the quarter ended 31 December 2017. Expenses incurred during the quarter ended 31 December 2018 were A$32,811,409 compared to A$3,920,140 for the quarter ended 31 December 2017. The movement in expenses for the quarter ended 31 December 2018 over the comparable quarter ended 31 December 2017 were due to a number of factors, the most notable of which are:

***Administration and consulting expenses*** were A$2,424,457 for the quarter ended 31 December 2018 compared to A$2,419,417 for the quarter ended 31 December 2017. These expenses remained consistent and comparable period on period.

***Employee benefit expenses*** increased by A$2,129,907 to A$2,400,904 for the quarter ended 31 December 2018 from A$270,997 for the quarter ended 31 December 2017. The increase was mainly due to an increase in the Managing Director and CEO's remuneration of A$100,000 over the comparable quarter, the fair value adjustment of A$1,758,358 recognised on the interest free loan granted to employees to exercise options facilitated via the Company Funded Loan Plan, and payment of staff bonuses of A$197,090.

***Unrealised foreign exchange (gains)*** decreased by A$1,141,211 to an unrealised foreign exchange gain of A$593,323 for the quarter ended 31 December 2018 compared to an unrealised foreign exchange gain of A$1,734,534 for the quarter ended 31 December 2017, as a result of the strengthening of the Australian dollar against the United States dollar. The Company holds most of its cash and cash equivalents in United States dollars and attempts to mitigate the impact of foreign currency movements by managing in United States dollars inflows and outflows.

***Share based payments expense*** increased by A$25,666,070 to A$28,617,543 for the quarter ended 31 December 2018 compared to A$2,951,473 for the quarter ended 31 December 2017. The expense recognised for the quarter ended 31 December 2018 represents the fair value of 94,250,000 unlisted share options issued during the quarter which vested immediately as well as the fair value of the previously issued 46,750,000 unlisted share options to directors, employees and contractors spread over the appropriate portion of the vesting period. The share-based payment expense recognised for the quarter ended 31 December 2017, was significantly lower as the share options granted had a vesting period of 18 months.



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***OPERATING RESULTS (continued)***

The operating variances for the period are:

| For the quarter ended 31 December | 2018 A$ | 2017 A$ | Variance A$ |
|---|---|---|---|
| **Expenses** | | | |
| Exploration costs written-off | 4,033 | (890) | 4,923 |
| Administrative expenses | (32,815,442) | (3,919,250) | (28,896,192) |
| **Operating loss** | **(32,811,409)** | **(3,920,140)** | **(28,891,269)** |
| Finance income | 9,070 | - | 9,070 |
| Finance costs | - | - | - |
| **Loss before tax** | **(32,802,339)** | **(3,920,140)** | **(28,882,199)** |
| Tax (expense) benefit | (712,735) | (1,953,474) | 1,240,739 |
| **Loss for the period** | **(33,515,074)** | **(5,873,614)** | **(27,641,460)** |
| **Other comprehensive profit / (loss)** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| Change in fair value of financial assets | 1,629,814 | (1,737,559) | 3,367,373 |
| Exchange differences on translation of foreign operations | 4,307,979 | 1,952,266 | 2,355,713 |
| **Other Comprehensive (loss) / profit , net of tax** | **5,937,793** | **214,707** | **5,723,086** |
| **Total comprehensive (loss) / income for the period** | **(27,577,281)** | **(5,658,907)** | **(21,918,374)** |

***The six months ended 31 December 2018 compared with the six months ended 31 December 2017***

The Company incurred a loss after tax of A$37,892,291 and loss per share of 2.2 cents per share for the six months ended 31 December 2018 compared to a loss after tax of A$11,712,027 and loss per share of 0.8 cents per share for the six months ended 31 December 2017. Expenses incurred during the six months ended 31 December 2018 were A$38,143,997 compared to A$9,758,619 for the six months ended 31 December 2017. The movement in expenses for the six months ended 31 December 2018 over the comparable six months ended 31 December 2017 were due to a number of factors, the most notable of which are:

***Administration and consulting expenses*** were A$4,371,138 for the six months ended 31 December 2018 compared to A$4,033,397 for the six months ended 31 December 2017. These expenses remained consistent and comparable period on period.

***Employee benefit expenses*** increased by A$2,180,451 to A$2,742,549 for the six months ended 31 December 2018 from A$562,098 for the six months ended 31 December 2017. The increase was mainly due to an increase in the Managing Director and CEO's remuneration of A$100,000 over the comparable period, the fair value adjustment of A$1,758,358 recognised on the interest free loan granted to employees to exercise options facilitated via the Company Funded Loan Plan and payment of staff bonuses of A$197,090.

***Unrealised foreign exchange (gains)*** increased by A$2,019,442 to an unrealised foreign exchange gain of A$2,081,166 for the six months ended 31 December 2018 compared to an unrealised foreign exchange gain of A$61,724 for the six months ended 31 December 2017, as a result of the weakening of the Australian dollar against the United States dollar. The Company holds most of its cash and cash equivalents in United States dollars and attempts to mitigate the impact of foreign currency movements by managing in United States dollars inflows and outflows.



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## *OPERATING RESULTS (continued)*

***Share based payments expense*** increased by A$27,606,790 to A$32,805,837 for the six months ended 31 December 2018 compared to A$5,199,047 for the six months ended 31 December 2017. The expense recognised for the six months ended 31 December 2018 represents the fair value of 115,750,000 unlisted share options issued during the six months which vested immediately as well as the fair value of the previously issued 46,750,000 unlisted share options to directors, employees and contractors spread over the appropriate portion of the vesting period. The share-based payment expense recognised for the half year ended 31 December 2017, was significantly lower as the share options granted had a vesting period of 18 months.

## *FINANCIAL POSITION*

Total assets at 31 December 2018 were A$350,878,592 compared to A$239,869,729 at 30 June 2018 representing an increase of A$111,008,863 largely as a result of the increase in cash resulting from the placement of 100,000,000 shares to BHP Billiton Holdings Limited in October 2018, the continued exploration on the Company's Ecuadorian tenements, the increase in the fair value of the Company's investment in Cornerstone and an increase in loans receivable and other non-current assets.

Current assets increased by A$35,581,416 primarily as a result of the share placement of 100,000,000 shares to BHP Billiton Holdings Limited. This increase was offset by the decrease in the other receivables and prepayments of A$829,964 resulting from the capitalisation of amounts into property, plant and equipment on the completion of land registration and settlements during the period.

Non-current assets increased by A$75,427,447 mainly due to increases in intangible assets, property, plant and equipment, available-for-sale securities and loan receivables. Deferred exploration assets (i.e. intangible assets) increased by A$56,868,181 due predominantly to the exploration expenditure incurred at the Cascabel project and the Ecuador Regional projects during the period ended 31 December 2018. Investment in available-for-sale securities increased by A$4,183,851 representing the mark to market adjustments that the Company makes on its investment in Cornerstone. Loans receivable and other noncurrent assets increased by A$8,439,637 as a result of interest free loans made to employees to exercise their options under the Company Funded Loan Plan in October 2018. Property, plant and equipment increased by A$5,935,778 primarily due to strategic land purchases at the Alpala project.

Current and total liabilities at 31 December 2018 were A$6,847,516 compared to A$9,433,665 at 30 June 2018 representing a decrease of A$2,586,149. The change is due to normal fluctuations in trade payables in line with the Company's exploration and day to day operating activities.



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## *FINANCINGS*

During the quarter ended 31 December 2018, the Company issued the following equities:

- On 4 October 2018, the Company issued an additional 550,000 shares at £0.28 as a result of the exercise of options previously issued to contractors of the Company in 2016.
- On 11 October 2018, the Company issued an additional 9,795,884 shares at £0.14 to raise A$2.51 million (£1.37 million) in cash as a result of the exercise of Maxit Capital LP's options.
- On 11 October 2018, the Company issued an additional 9,795,884 shares at £0.28 to raise A$5.03 million (£2.74 million) in cash as a result of the exercise of Maxit Capital LP's options.
- On 17 October 2018, the Company issued an additional 100,000,000 shares at £0.45 to raise A$83.02 million (£45 million) in cash to BHP Billiton Holdings Limited ("BHP").
- On 29 October 2018, the Company issued an additional 20,624,553 shares at £0.28 as a result of the exercise of options previously issued to employees of the Company in 2016. Of this total 19,950,000 were funded through the Company Funded Loan Plan and 674,553 were paid for in cash.
- On 6 November 2018, the Company issued a total of 82,875,000 unlisted options to Employees and Contractors. The options have a strike price of £0.60 each and are exercisable through to 5 November 2021.
- On 8 November 2018, the Company issued an additional 2,596,826 shares at £0.3888 to BHP pursuant to "top-up-rights" held by BHP pursuant to its Share Subscription Agreement. The allotment price was based on the 10-day VWAP, in accordance with the terms of the Share Subscription Agreement.
- On 26 November 2018, the Company issued an additional 6,712,200 shares at £0.3714 to Newcrest International Pty Ltd ("Newcrest International"), a wholly owned subsidiary of Newcrest Mining Ltd pursuant to "top-up-rights" held by Newcrest International pursuant to the Newcrest Subscription Agreement (as varied). The allotment price was based on the 10-day VWAP, in accordance with the terms of the Newcrest Subscription Agreement.
- On 20 December 2018, the Company issued a total of 11,375,000 unlisted options to Directors. The options have a strike price of £0.60 each and are exercisable through to 20 December 2021.

## *SELECTED FINANCIAL DATA*

The following table provides selected annual financial information derived from the most recently completed financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the periods below:

| **Year ended 30 June** | **2018 A$** | **2017 A$** | **2016 AS** |
|---|---|---|---|
| **Operations** | | | |
| Loss for the year after tax | (19,683,060) | (4,499,972) | (5,723,122) |
| Total comprehensive income (loss) for the year | (21,495,832) | 2,331,271 | (4,483,698) |
| - Owners of the parent company | (21,676,760) | 2,697,343 | (4,483,698) |
| - Non-controlling interest | 180,928 | (366,071) | (99,970) |
| | (21,495,832) | 2,331,271 | (4,483,698) |
| Basic and diluted loss per share (cents per share) | (1.2)/(1.2) | (0.3)/(0.3) | (0.7)/(0.7) |
| **Balance Sheet** | | | |
| Working capital (deficit) | 76,622,006 | 87,878,912 | (8,220,663) |
| Total assets | 239,869,729 | 166,713,608 | 43,500,102 |
| Total liabilities | 9,433,665 | 2,741,175 | 8,518,765 |
| Distributions or cash dividends declared per share | Nil | Nil | Nil |

The Company prepares its consolidated annual financial statements in accordance with International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union (IFRS).



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*SUMMARY OF QUARTERLY RESULTS*

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with 31 December 2018. Financial information is prepared in accordance with IFRS as issued by the IASB and is reported in Australian Dollars.

| Quarter ended | 31 Dec 2018 A$ | 30 Sep 2018 A$ | 30 Jun 2018 A$ | 31 Mar 2018 A$ |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Loss for the quarter after tax | (33,515,074) | (4,377,217) | (2,360,444) | (5,610,589) |
| Net loss per share (cents per share) | (1.8) | (0.3) | (0.0) | (0.3) |
| Loss for the quarter after tax attributable to the owners of the parent | (33,494,576) | (4,302,955) | (2,307,503) | (5,554,898) |
| Net loss per share attributable to the owners of the parent (cents per share) | (1.8) | (0.3) | (0.0) | (0.3) |

*SUMMARY OF QUARTERLY RESULTS (continued)*

| Quarter ended | 31 Dec 2017 A$ | 30 Sep 2017 A$ | 30 Jun 2017 A$ | 31 Mar 2017 A$ |
|---|---|---|---|---|
| Revenue | - | - | - | - |
| Loss for the quarter after tax | (5,873,614) | (5,838,413) | (2,054,298) | (3,919,675) |
| Net loss per share (cents per share) | (0.4) | (0.4) | (0.2) | (0.3) |
| Loss for the quarter after tax attributable to the owners of the parent | (5,840,273) | (5,814,728) | (2,031,742) | (3,897,345) |
| Net loss per share attributable to the owners of the parent (cents per share) | (0.4) | (0.4) | (0.2) | (0.3) |

Net loss presented over the eight quarters reflects general and administrative costs which includes unrealised foreign exchange gains and losses as well as share based payments expenses. General and administrative costs have remained relatively constant. The Company reports in Australian dollars but a significant portion of its cash holdings are denominated in United States dollars and Great British pounds. Accordingly, the gain for the quarter is significantly impacted by movements in foreign currency exchange rates. Furthermore, the loss is also significantly impacted by the recognition of share based payments expenses over the vesting period of options granted to directors, employees and contractors. For further information regarding the movement from quarter ended 30 September 2018 to 31 December 2018 please refer to Operating Results on page 3.



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## EXPLORATION AND EVALUATION ASSETS

Total capitalised expenditures on exploration and evaluation assets as at 31 December 2018 were A$199,751,048 compared to A$142,882,867 at 30 June 2018. Exploration expenditure of A$36,868,181 was incurred during the six months ended 31 December 2018 compared to A$26,645,977 during the six months ended 31 December 2017. An impairment reversal of A$4,033 (impairment charge 2017: A$1,877) was recognised on previously impaired.

The following table represents the capitalised expenditures on exploration and evaluations to date by project area.

| Projects | Capitalised at 30 June 2018 A$ | Period ending 31 December 2018 A$ | Capitalised at 31 December 2018 A$ |
|---|---|---|---|
| Cascabel project | 112,788,437 | 50,603,821 | 163,392,258 |
| Ecuador Regional Exploration projects | 16,871,837 | 5,985,564 | 22,857,401 |
| Queensland projects | 13,222,593 | 278,796 | 13,501,389 |
| Solomon Island projects | - | - | - |
| **TOTAL** | **142,882,867** | **56,868,181** | **199,751,048** |

***Cascabel Project (Ecuador)***

The Cascabel Project is located on the northern section of the prolific Andean Copper belt, renowned as the base for nearly half of the world's copper production. The project area hosts mineralisation of Eocene age, the same age as numerous Tier 1 deposits along the Andean Copper Belt in Chile and Peru to the south. The project base is located at Rocafuerte in northern Ecuador, approximately three hours' drive north of Quito, close to water, power supply and Pacific ports. Having fulfilled its earn in requirements, SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in Exploraciones Novomining S.A.(ENSA) which holds 100% of the Cascabel tenement covering approximately 50km$^2$, and subject to a royalty which may be purchased by SolGold for US$4.0m at development decision. Following the preparation of a Feasibility Study by ENSA, Cornerstone - which currently holds a 15% interest in ENSA - will be obligated to contribute to the funding of ENSA including its proportionate share of historic expenditure.

A review of drilling results has identified world class intersections at updated metal prices, and geology model analysis is constantly improving drill targeting capabilities. Drilling to date has not yet constrained the rich Alpala copper-gold deposit, and the deposit continues to grow with each drill hole.

During the six months ended 31 December 2018, the Company spent A$36,868,179 on the Cascabel project.

The Cascabel drill program remains focussed on extending and upgrading the status of the Alpala Resource, delineating the geometry and geological character of the Alpala deposit, providing additional information on the high-grade core (increasing the confidence of geological interpretations, and the grade model), and evaluating shallow grade potential.

The November 2018 Alpala MRE update, dated 15 November 2018, was estimated from 68,173 assays, with 66,739 assays representing diamond drill core samples, and 1,434 assays representing rock-saw channel samples cut from surface rock exposures. Drill core samples were obtained from a total of 133,576m of drilling comprising 128 diamond drill holes, including 75 drill holes comprising of 34 daughter holes, 8 redrills, and 11 over-runs, and represents full assay data from holes 1-67 and partial assay data received from holes 68 to 75. Rock-saw samples were obtained from 2743m of rock-saw cuts from 262 surface rock exposure trenches. In contrast, the December 2017 Maiden MRE was estimated from 26,814 assays obtained from 53,616m of drilling comprising 45 drill holes, including 10 daughter holes and 5 redrills.

There now exists approximately triple the amount of drilling and assay information since the maiden MRE of December 2017, and this has resulted in significant growth in tonnage (approximately 273%) and contained metal (approximately 108%) and a far greater proportion of the MRE now being in the Indicated Mineral Resource category (2018: 77%, 2017:40%).

***Cascabel Project (Ecuador) (continued)***



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The November 2018 Alpala updated Mineral Resource Estimate (MRE) totals a current:

- 2,050 Mt @ 0.60% CuEq (at 0.2% CuEq cut-off) in the Indicated category, and 900 Mt @ 0.35% CuEq (at 0.2% CuEq cut-off) in the Inferred category.
- Contained metal content of 8.4 Mt Cu and 19.4 Moz Au in the Indicated category.
- Contained metal content of 2.5 Mt Cu and 3.8 Moz Au in the Inferred category.

Alpala updated MRE across both Indicated and Inferred classifications equates to a current 2.95 Bt @ 0.52% CuEq (15.4 Mt CuEq) containing 10.9 Mt Cu and 23.2 Moz Au at 0.2% CuEq cut-off, 79% of which is in the Indicated category (by metal content) (**Tables 1 and 2**).

The Alpala deposit includes a 420 Mt High Grade Core @1.47% CuEq (6.1 Mt CuEq) containing 3.8 Mt Cu and 12.3 Moz Au at a 0.9% CuEq cut-off, 97% of which is in the Indicated category (by metal content).

The November 2018 MRE update is reported using a cut-off grade of 0.2% copper-equivalent (CuEq) which SolGold and SRK Consulting consider to be reasonable, reflecting the potential for economic extraction by high production rate mass mining methods such as block caving. The central portions of the deposit present an opportunity for early extraction of higher grade material.

The updated MRE is presented on a 100% basis and has an effective date of 7 November 2018. It represents an overall reported resource increase of 108% (by metal content) from 7.4Mt CuEq in December 2017 Maiden MRE (at a cut-off of 0.3% CuEq) to the current 15.4 Mt CuEq (at a cut-off of 0.2% CuEq).

***Table 1 : Overall Mineral Resource Statement for the Alpala Copper-Gold Deposit.****

| Grade Category | Resource Category | Tonnage (Mt) | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | | | Cu (%) | Au (g/t) | CuEq (%) | Cu (Mt) | Au (Moz) | CuEq (Mt) |
| Total >0.2% CuEq | Indicated | 2,050 | 0.41 | 0.29 | 0.60 | 8.4 | 19.4 | 12.2 |
| | Inferred | 900 | 0.27 | 0.13 | 0.35 | 2.5 | 3.8 | 3.2 |

- **Mr Martin Pittuck, MSc, CEng, MiMMM, is responsible for this Mineral Resource Estimate and is an "independent qualified person" as such term is defined in N1 43-101*
- *The Mineral Resource is reported using a cut-off grade of 0.2% copper equivalent calculated using [copper grade (%)] + [gold grade (g/t)x0.63]*
- *The Mineral Resource is considered to have reasonable potential for eventual economic extraction by underground mass mining such as block caving*
- *Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability*
- *The statement uses terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserves (May 2014)*
- *The MRE is reported on 100 percent basis*
- *Values given in the table have been rounded, apparent calculation errors resulting from this are not considered to be material*
- *The effective date for the Mineral Resource statement is 7th November 2018*
- *The date of completion of the Mineral Resource statement is 16th November 2018*



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***Cascabel Project (Ecuador) (continued)***

***Table 2 : Mineral Resource Statement for the Alpala Copper-Gold Deposit expressed by a range in copper-equivalent cut-off grades.****

| Cut off Grade (% CuEQ) | Resource Category | Tonnage (Mt) | Grade | | | Contained Metal | | |
|---|---|---|---|---|---|---|---|---|
| | | | Cu (%) | Au (g/t) | CuEq (%) | Cu (Mt) | Au (Moz) | CuEq (Mt) |
| 0.10 | Indicated | 2,460 | 0.36 | 0.26 | 0.52 | 8.9 | 20.2 | 12.9 |
| 0.15 | Indicated | 2,290 | 0.38 | 0.27 | 0.55 | 8.8 | 19.9 | 12.7 |
| 0.20 | Indicated | 2,050 | 0.41 | 0.29 | 0.60 | 8.4 | 19.4 | 12.2 |
| 0.30 | Indicated | 1,500 | 0.49 | 0.37 | 0.73 | 7.4 | 17.8 | 10.9 |
| 0.45 | Indicated | 810 | 0.66 | 0.57 | 1.03 | 5.4 | 15.0 | 8.3 |
| 0.70 | Indicated | 490 | 0.84 | 0.83 | 1.37 | 4.1 | 13.0 | 6.7 |
| 0.90 | Indicated | 400 | 0.90 | 0.93 | 1.49 | 3.6 | 11.9 | 5.9 |
| 1.10 | Indicated | 200 | 1.13 | 1.36 | 1.99 | 2.2 | 8.7 | 3.9 |
| 1.50 | Indicated | 120 | 1.35 | 1.77 | 2.47 | 1.7 | 7.0 | 3.0 |
| 0.10 | Inferred | 1,380 | 0.22 | 0.11 | 0.28 | 3.0 | 4.7 | 3.9 |
| 0.15 | Inferred | 1,140 | 0.24 | 0.12 | 0.32 | 2.8 | 4.3 | 3.6 |
| 0.20 | Inferred | 900 | 0.27 | 0.13 | 0.35 | 2.5 | 3.8 | 3.2 |
| 0.30 | Inferred | 490 | 0.34 | 0.16 | 0.45 | 1.7 | 2.5 | 2.2 |
| 0.45 | Inferred | 150 | 0.49 | 0.26 | 0.65 | 0.7 | 1.2 | 1.0 |
| 0.70 | Inferred | 50 | 0.67 | 0.41 | 0.93 | 0.4 | 0.7 | 0.5 |
| 0.90 | Inferred | 20 | 0.72 | 0.52 | 1.05 | 0.2 | 0.4 | 0.2 |
| 1.10 | Inferred | 10 | 0.76 | 0.70 | 1.20 | 0.1 | 0.1 | 0.1 |
| 1.50 | Inferred | - | - | - | - | - | - | - |

**Refer to the explanation for Table 1 for description and qualifications that pertain to the resource statement.*

The Mineral Resource Statement is supported by a full 43-101 Technical Report filed on 4 January 2019 and is accompanied by grade tonnage curves for overall resource (Indicated + Inferred) as well as individual charts for the Indicated and Inferred categories (**Figures 2 and 3**).

Drill testing of the Aguinaga and Trivinio target has commenced, whilst the numerous other untested targets, namely at Moran, Cristal, Tandayama-America and Chinambicito, are flagged for drill testing as overall program demands allow.

A total of 27,674m of diamond drilling has been completed in the quarter ended 31 December 2018. Significant results encountered in this period include:



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*Cascabel Project (Ecuador) (continued)*

*Table 3 : Table 1: Highlights of most significant drilling results at Alpala during this period.**

| Hole | Assays Copper Equivalent (CuEq) | Description |
|---|---|---|
| Hole 55R-D1 | 869m @ 0.72% CuEq, including 378m @ 1.17% CuEq | |
| Hole 58-D1 | 983m @ 1.08% CuEq, including 456m @ 1.71% CuEq | |
| Hole 64 | 402m @ 0.65% CuEq including 162m @ 0.95% CuEq[1] | Alpala NW-Trivinio<br><br>[1]Includes discovery of a new zone, north of the Alpala Breccia unit, containing primary bornite mineralisation. Different mineralisation may indicate a second system adjacent to the Alpala Deposit. Further drilling required. |
| Hole 66 | 633m @ 1.25% CuEq, including 301m @ 1.88% CuEq and 173m @ 2.46% CuEq[2] | Alpala NW<br>[2]Zone of rich mineralisation containing visible gold |
| Hole 67 | 1028m @ 1.29% CuEq, including 544m @ 2.17% CuEq and 146m @ 4.07% CuEq[3] | Alpala Central<br><br>[3]Zone of intense porphyry mineralisation containing visible gold |
| Hole 68 | 664m @ 1.53% CuEq (open at depth), including 348m @ 2.25% CuEq | Alpala Central |
| Hole 69 | 852m @ 1.14% CuEq, including 502m @ 1.55% CuEq, and 152m @ 2.49%CuEq | Alpala Western Limb |

**Drill hole intercepts reported with up to 10m internal dilution, excluding bridging to a single sample. Copper equivalent grades are calculated using a gold conversion factor of 0.63, determined using an updated copper price of USD3.00/pound and an updated gold price of USD1300/ounce. True widths of down hole intersections are estimated to be approximately 25-70%.*

Recent drilling has also intersected zones of very high gold grades in the core and periphery of the deposit at Alpala and can be related to intermediate- to high- sulfidation state sulphide-mineral assemblage associated with a phyllic alteration over-print and is a feature common in many of the world's richest porphyry deposits, like Oyu Tolgoi, Grasberg and Wafi-Golpu.

3D modelling of key geological parameters for the Alpala deposit has resulted in completion of dynamic models for geology, veining, alteration and copper and gold grades, all of which are constantly updated as drilling progresses.

A number of studies have been completed in anticipation of future requirements for economic assessment including:

- Landform assessment - identifying suitable locations for processing plant and other infrastructure.
- Weathering, swelling clay, fault condition, fracture count modelling, and RQD assessments - providing a basis for geotechnical parameters to feed into minability characterisation
- Hydrogeological data collection

A 3D airborne laser scanning, light detection and ranging (LiDAR) topographic survey was completed in November 2018 by SAI - Serviços Aéreos Industrias. Processing and approval of final data is underway and final data is expected to be available for use in early Q1 of 2019. The LiDAR survey will provide high resolution topographic control for future studies planned for the advancement of the Cascabel project.



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The company believes there remains strong potential for further growth with the 2019 drilling campaign to continue to expand the deposit at Alpala SE, Alpala NW, Trivinio and Alpala Western Limb.

***Ecuador Regional Exploration Projects***

A comprehensive, nation-wide desktop study has been undertaken by the Company's independent experts to analyse the available regional topographic, geological, geochemical and gravity data over the prospective magmatic belts of Ecuador, with the aim of understanding the controls to copper-gold mineralization on a regional scale. The Company has delineated and ranked regional exploration targets for the potential to contain significant copper-gold deposits. As a result of this study, the Company formed and initially funded, four new 100% owned subsidiary companies in Ecuador; Carnegie Ridge Resources S.A., Green Rock Resources S.A., Cruz del Sol S.A. and Valle Rico Resources S.A. These subsidiaries currently hold 73 mineral concessions over approximately 3,200 km2.

Based on the results of this initial exploration, 11 priority targets have been identified for second phase exploration in Ecuador. Ongoing exploration will focus on advancing these priority projects, through geophysical surveys and detailed soil geochemistry, with a view to progress to drill testing as soon as permissions are in place. The 11 priority projects are as follows:

- Blanca;
- La Hueca;
- Porvenir;
- Cisne Loja;
- Cisne Loja Target 15;
- Timbara;
- Rio Armarillo;
- Chillanes;
- Salinas;
- Sharug; and
- Cisne Victoria.

The ongoing exploration program on these projects will focus on:

- Delineation of geochemical anomalies
- Mapping of alteration phases to understand the probable location of metals in the system
- Aeromagnetic surveys to support sampling programs

Activities conducted on the priority projects are described in further detail below.



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***Ecuador Regional Exploration Projects (continued)***

_Blanca Project_

| | |
|---|---|
| Location: | Carchi province, Northern Ecuador |
| Ownership: | SolGold holds 100% ownership though Carnegie Ridge Resources S.A. |
| Tenement Area: | 1 concession (Blanca) over 97 km2 |
| Primary Targets: | Epithermal gold |

The rich epithermal gold mineralisation has been identified within the Blanca concession and is thought to be associated with large copper gold porphyry systems in the area.

In the Blanca concession, sampling of the intermediate sulphidation "Cielito" vein and outcropping veins in surrounding drainages are hosted in volcanics and volcanic breccias showing weak quartz-pyrite-illite and chlorite-sericite alteration.

The results include:

- 617 g/t Au, 317g/t Ag, 0.59% Cu
- 542g/t Au, 254g/t Ag, 0.54% Cu

The ridge and spur and gridded auger soil program traversing the projected trend of the epithermal structural corridor identified several zones of multielement anomalism.  Logging of lithic chips from the auger soil program also mapped out zones of chlorite and sericite alteration around the Cielito vein and Cerro Quiroz prospects.

No further exploration activities have been conducted during this period.



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***Ecuador Regional Exploration Projects (continued)***

*La Hueca Project*

| | |
|---|---|
| Location: | Zamora Chinchipe province, Southern Ecuador |
| Ownership: | SolGold holds 100% ownership though Cruz del Sol S.A. |
| Tenement Area: | 3 concessions, 150 km2 |
| Primary Targets: | Copper-gold porphyry |

The project lies within the eastern Jurassic Belt, which contains the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara gold-(copper) porphyry deposit (8 million ounces Au).

Teams conducted extensive stream sediment and panned concentrate sampling throughout the La Hueca project. The geochemical results of this work delineated 5 porphyry copper targets situated along the contact between the Zamora batholith and volcanic units. The results delineate a copper rich porphyry corridor running through the La Hueca project. Best rock chip results from Targets 1 to 4 include:

- 13.82% Cu
- 8.37% Cu
- 6.27% Cu
- 4.58% Cu
- 4.15% Cu
- 4.08% Cu
- 2.50% Cu

Target 6 has returned strong copper, gold and molybdenum anomalism over a large area 1.25 km by 1.0 km. The discovery is significant due to k-feldspar, secondary biotite, and chlorite-sericite hydrothermal alteration intensity, and the presence of chalcopyrite, molybdenite and bornite. A- and B-type quartz veins are also present at variable density. Geochemical high Cu-Mo results are significant, and they are dispersed over an extensive area. Best rock chip results from Target 6 include:

- 6.27% Cu, 0.29 g/t Au, 22.9 g/t Ag, >1% Mo;
- 4.58% Cu, 0.13 g/t Au, 14.6 g/t Ag, 0.16% Mo;
- 4.15% Cu, 0.24 g/t Au, 16.1 g/t Ag, 0.28% Mo; and
- 2.19% Cu, 0.12 g/t Au, 9.11 g/t Ag, 0.02% Mo.

A program of gridded auger soil sampling was completed at Target 6 to further delineate drilling targets. Further detailed mapping, and sampling and trenching is planned, prior to refining targets for drill testing. Fathom Geophysics were commissioned to carryout 3D geochemical porphyry footprint modelling of soil data over Target 6. They also re-interpreted the existing aeromagnetic data covering Targets 1 – 5. The results of this work will be used to help further delineate porphyry drill targets.

No further work has been conducted at La Hueca in this period.



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***Ecuador Regional Exploration Projects (continued)***

*Porvenir Project*

| | |
|---|---|
| Location: | Zamora Chinchipe province, Southern Ecuador |
| Ownership: | SolGold holds 100% ownership though Green Rock Resources S.A. |
| Tenement Area: | 244 $km^2$ |
| Primary Targets: | Copper-gold porphyry |

The project is hosted in Ecuador's eastern Jurassic Belt, hosting the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara gold-(copper) porphyry deposit (8 million ounces Au).

A stream sediment sampling program at the Porvenir project delineated two geochemical anomalies within the larger 6 km by 5.5 km stream anomaly at the Derrumbo and Bartolo prospects. Mineralised outcrops have been identified which extend over some 1.5 km by 1 km with chalcopyrite up to 7% and lesser covellite up to 1%, chalcocite up to 2%, bornite up to 1%, malachite up to 3% and pyrite. New mineralised outcrops identified in the Porvenir project that are rich in chalcopyrite, chalcocite, covellite, bornite (copper sulphide minerals) and malachite (copper carbonate mineral).

Initial auger soil results having identified a 2.5 km by 2 km zone of strong copper anomalism. Initial multi element soil geochemistry is delineating a strongly zoned porphyry copper target with copper in soil values of up to 0.42% Cu. Follow up mapping has confirmed mineralisation in outcrop, with best rock chip results including:

- 8.65% Cu, 0.19g/t Au, 38.1g/t Ag
- 6.64% Cu, 0.09g/t Au, 33.1g/t Ag
- 5.10% Cu, 0.05g/t Au, 22.3g/t Ag
- 4.27% Cu, 0.09g/t Au, 14.6g/t Ag

Target 15 returned very high coincident gold results in rock chips taken from a 400m wide NE-SW trending corridor with B veining and alteration. Best results for the period include:

- R03000986 2.35% Cu, 1.67 g/t Au, 7.87 g/t Ag
- R03002510 2.17% Cu, 0.73 g/t Au, 53.8 g/t Ag
- R03002519 1.91% Cu, 3.59 g/t Au, 8.96 g/t Ag
- R03002518 1.52% Cu, 0.85 g/t Au, 10.6 g/t Ag
- R03002526 1.27% Cu, 1.04 g/t Au, 3.09 g/t Ag
- R03002527 1.04% Cu, 0.97 g/t Au, 2.08 g/t Ag

Continuous rock saw channel sampling along a strongly altered section of La Cacharposa Creek returned grades 0.71 g/t gold and 0.71 % copper over 62.43 metres including 25.60 meters grading 0.94 g/t gold and 1.04% copper from 18 to 43.60 metres. Detailed mapping within Target 15 has identified new mineralised outcrops in other streams. These outcrops display strong alteration and mineralization with B-veins present, at least 15-20 metres of 1.2% quartz vein density.

Anomalous copper results in Target 13 were returned over a distance of 500m along the Diablo stream. Best results for the period include:

- R03000993 5.46% Cu
- R03000997 3.68% Cu
- R03000992 2.02% Cu



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***Ecuador Regional Exploration Projects (continued)***

The initial results from this exploration program at the Porvenir are very impressive both in terms of grade and consistency, exhibiting a Au:Cu ratio of 1:1. The presence of potassic alteration (K-Feld-magnetite-cpy) overprinted by chlorite-sericite alteration is associated with higher gold grades.

Exploration activities planned for Porvenir project includes:

- Further detailed mapping in Target 13 Quebrada Diablo area
- Rock saw channel sampling of identified mineralised outcrops in Target 15
- A ground magnetic survey over Target 15 (scheduled in January 2019)

*Cisne Loja Project*

| | |
|---|---|
| Location: | Loja province, Southern Ecuador |
| Ownership: | SolGold holds 100% ownership though Green Rock Resources S.A. |
| Tenement Area: | 3 concessions, 146 $km^2$ |
| Primary Targets: | Epithermal gold and silver |

The Cisne Loja project is located in the southern end of the Miocene Belt. It is very close to the Loma Largo deposit owned by INVmetals. The Loma Largo is a high sulphidation epithermal deposit containing 3Moz Au and 125 Mlbs of Cu.

The southern end of the Miocene Belt is defined by the northeast trending fault systems thought responsible for introducing the hydrothermal fluids responsible for mineralisation in this area.

First pass stream sediment surveys have identified several large areas of strong gold mineralisation across the tenement. Recent follow up of gold anomalies has led to the discovery of outcropping epithermal style alteration and mineralisation over an area of 2.5 km by 1.5 km with several episodes of quartz veining, which shows similarities to the epithermal gold system at Fruta del Norte in Southern Ecuador.

Numerous areas of epithermal quartz veins with alteration exhibiting silica-kaolinite-quartz clay assemblages together with vuggy quartz, indicate an intermediate to low sulphidation epithermal environment.

Streams over a 6 km by 4 km zone draining the area of interest were ubiquitously rich in gold and magnetite indicating the prevalence of the copper gold mineralised porphyries in the area. Geological mapping of these anomalies defined alteration and quartz veining over an area of 2.5 km by 1.5 km. These were outcropping, epithermal style alteration and mineralisation with multiple episodes of quartz veining evident. Rock chip samples have returned gold and silver results greater than 1 g/t Au with a best rock chip sample of 15.25 g/t Au and 23.6g/t Ag.

Rock chip results just in from Cisne 2C concession in the Cisne Loja project have returned highly anomalous Cu-Au-Mo. The copper mineralization is developed within the granodiorite mainly along fractures with minerals malachite, azurite, chalcopyrite and Neotocite, occasionally accompanied by traces of Py. Mineralisation has been identified over an area 1.5km by 1km.



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*Ecuador Regional Exploration Projects (continued)*

**Hector Stream**

- R03001218 5.28% Cu, 0.66 g/t Au, 91.4 g/t Ag
- R03001221 5.08% Cu, 1.10 g/t Au, 25.8 g/t Ag
- R03001204 4.92% Cu, 3.90 g/t Au, 55.7 g/t Ag
- R03001206 2.06% Cu, 0.24 g/t Au, 28.7 g/t Ag
- R03001207 1.39% Cu, 0.15 g/t Au, 24.6 g/t Ag
- R03001217 1.33% Cu, 0.08 g/t Au, 27.6 g/t Ag

**El Tio Stream**

- R03001215 3.65% Cu, 0.02 g/t Au, 95.5 g/t Ag
- R03001214 3.43% Cu, 0.09 g/t Au, 73.8 g/t Ag

**Mandarina Stream**

- R03001211 1.63% Cu, 0.30 g/t Au, 39.8 g/t Ag
- R03001213 1.45% Cu, 0.02 g/t Au, 36.6 g/t Ag

Activities planned for Cisne Loja project include:

- Auger soil programs in Cisne 2A and Cisne 2B
- Additional mapping and sampling of the streams in Cisne2B and Cisne 2C
- Planning drill holes for testing the epithermal veins in Cisne 2A

<u>Timbara Project</u>

| | |
|---|---|
| Location: | Zamora Chinchipe province, Southern Ecuador |
| Ownership: | SolGold holds 100% ownership though Green Rock Resources S.A. |
| Tenement Area: | 4 concessions (Timbara 1, Timbara 2, Timbara 3 and Timbara 4), 152 km$^2$ |
| Primary Targets: | Copper-gold porphyry |

At Timbara 1 prospect, outcropping porphyry style mineralisation occurs as northeast trending narrow quartz veins containing pyrite, chalcopyrite, covellite and bornite hosted within granodiorite intrusive.

At Timbara 2 prospect, fine-grained diorite contains abundant stock works of porphyry style quartz-chalcopyrite veins and magnetite veinlets characterised by intense propylitic chlorite alteration. Mineralisation is represented by up to 3% chalcopyrite, 2% bornite, and 1% chalcocite, with traces of malachite and native Cu.

At Timbara 3 prospect, reconnaissance mapping has located a 25 m wide zone of quartz-hematite veining including localised bornite rich veining. Other outcrops identified show significant exposed 5 m thick quartz veins containing pyrite, chalcopyrite, bornite, and minor chalcocite. Peripheral to these mineralised zones, host rocks contain abundant magnetite veinlets cut by quartz veins containing chalcopyrite, magnetite, pyrite and minor chalcocite.

During the quarter, teams continued to conduct detailed follow up mapping and sampling of all anomalous areas identified. Work has thus far focused mainly on the prospects within Timbara 3 and 4. They have been following a northeast trending mineralised corridor, mapping and stream sampling. New mineralised outcrops have been identified along this corridor rich in magnetite and chalcopyrite.

Due to the remoteness of the prospects, work is slow with teams operating out of remote make-shift camps. Field teams will continue initial exploration activities in Timbara 3 and 4 to gain a more complete baseline data set.



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***Ecuador Regional Exploration Projects (continued)***

Valle Rico technical teams moved to Timbara 2 concession to complete follow up prospection of the anomalies initially identified by Green Rock teams earlier in the year. Teams are carrying out detailed infill of stream sediment, panned concentrate and rock chip sampling in areas identified as anomalous from earlier regional geochemistry. Early results include:

- R03001546 1.35% Cu

The Valle Rico teams have continued work on the Timbara 1 & 2 concessions during the month. Work consisted of stream sediment, pan con, rock chip sampling and mapping. Several streams in Timbara 2 have returned strong copper anomalies that will be followed up with detailed mapping.

*Rio Amarillo Project*

| | |
|---|---|
| Location: | Imbabura province, Northern Ecuador |
| Ownership: | SolGold holds 100% ownership though Carnegie Ridge Resources S.A. |
| Tenement Area: | 3 concessions, 123 $km^2$ |
| Primary Targets: | Copper porphyry |

Located in northern Ecuador Miocene Belt near SolGold' s Cascabel Project. Two main prospects have been identified in both Rio Armarillo 1 & 2; Chilanes and the Pugaran prospects.

Chilanes consists of an extensive lithocap with surrounding strong stream sediment anomalies. The lithocap measures approximately 2.4 km by 2.4 km. It consists of crackle and hydrothermal breccias, with silica-clay and advanced argillic alteration, typical of the upper levels of a porphyry system.

Pugaran hosts abundant B-type veins and zones of strong copper mineralisation. It represents a 250 m long outcrop of copper mineralisation consisting of B type veins with pyrite, chalcopyrite, chalcocite and bornite. K-alteration overprinted by phyllic alteration.

The next stage of exploration at Rio Armarillo project will start with detailed auger soil program over the Chilanes lithocap in Rio Armarillo 2 concession and geophysical surveys covering the entire project, to enable drill target selection.

Auger soil programs continued during the quarter at the Chilanes lithocap that is returning anomalous results. Along with rock chip sampling the northern lithocap zone is starting to define significant anomalism. Several intrusive stocks and hydrothermal breccias have been located in this zone that exhibit significant alteration and mineralisation that support the results received from the auger soils.

Further auger soil sampling is planned over the lithocap along with mapping and rock chip sampling to help define the extent of gold and copper anomalism. Sample results from Chilanes thus far are indicative of locations proximal to a porphyry system.



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***Ecuador Regional Exploration Projects (continued)***

*Chillanes Project*

| | |
|---|---|
| Location: | Bolivar/Chimborazo province, Central Ecuador |
| Ownership: | SolGold holds 100% ownership though Green Rock Resources S.A. |
| Tenement Area: | 48 $km^2$ |
| Primary Targets: | Copper-gold porphyry |

The Chillanes project is located in the central Miocene belt that is host to several large epithermal and porphyry deposits including Quimsacocha and Junin. Stream sediment geochemical sampling has returned the highest copper results from any SolGold project in Ecuador with best results including 1,140 ppm Cu and 1,110 ppm Cu. Detailed follow up mapping and rock chip sampling is continuing with the best rock chip assay returned to date of 1.42% Cu.

Hydrothermal alteration consists of phyllic alteration with abundant chalcopyrite and pyrite with lesser chalcocite and bornite mapped in outcrop. Following the completion of initial anaconda mapping, a program of auger soil geochemistry will be carried out to delineate priority drill targets.

Social teams have been working with government to ensure ongoing access to this project which is progressing well. Several social programs have been initiated with local communities and following this work, continued access should be granted.

*Salinas Project*

| | |
|---|---|
| Location: | Bolivar province, Southwest Ecuador |
| Ownership: | SolGold holds 100% ownership though Valle Rico Resources S.A. |
| Tenement Area: | 4 concessions, 189 km2 |
| Primary Targets: | Gold-silver-copper epithermal |

The Salinas project represents a high sulphidation epithermal Ag-Au-Cu with indications of a nearby Cu-Au porphyry system. Mineralisation is hosted in structurally controlled hydrothermal volcanic breccias. A hypogene covellite-enargite-chalcocite- arsenopyrite paragenesis of phases in the hydrothermal breccia suggests a nearby larger Cu-Au porphyry system.

Valle Rico will focus on exploring for both epithermal and porphyry systems at the Salinas project. Along with continuing to drill test the mineralised epithermal breccias, Valle Rico will carry out regional prospecting to identify porphyry targets.

Social teams have been in the field talking with communities and local government to gain access to this project. Several infrastructure projects have been identified by local communities that our teams have commenced.

Access to Salinas 3 and 4 concessions has now been granted and work is continuing on gaining field access to Salinas 1 and 2 concessions. The Salinas Project represents a high sulphidation epithermal Ag-Au-Cu with indications of a nearby Cu-Au porphyry system. Initial exploration work will commence shortly at Salinas 3 and 4 and access should be granted shortly for Salinas 1 and 2 concessions.



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***Ecuador Regional Exploration Projects (continued)***

<u>*Sharug Project*</u>

| | |
|---|---|
| Location: | Azuy province, Southwest Ecuador |
| Ownership: | SolGold holds 100% ownership though Green Rock Resources S.A. |
| Tenement Area: | 2 concessions, 52 $km^2$ |
| Primary Targets: | Copper-gold porphyry |

The Sharug project is located in the southern end of the Miocene Belt. It is located south of known mineral deposits; Tres Chorreras and the Cerro Negro mining areas. New diorite outcrops were identified in the Sharug project, in the Sharug 2 concession. The alteration and mineralisation observed is indicative of a potential porphyry copper gold system. Hydrothermal alteration consists of chlorite, sericite and secondary biotite. The quartz vein stock work has a preferential direction northeast-southwest. The fine stock work veinlets comprise magnetite, pyrite and disseminated chalcopyrite.

Mineralisation is observed with up to 1.5% pyrite, 0.2% chalcopyrite, traces bornite, native copper traces, with chalcopyrite up to 1% in mafics with abundant secondary biotite. Tourmaline veins with chalcopyrite have also been identified. Results include:

- Rock saw sample – 2m @ 1.53% Cu, 25.8 g/t Ag, 19.5 Mo
- Rock Chip – 2.52% Cu, 0.15 g/t Au, 47.1 g/t Ag, 491 ppm Mo

Recent mapping has also identified epithermal quartz veins along a northeast trending corridor. Sampling and mapping of the potential epithermal system will continue next quarter to determine the extent of this style of mineralisation.

Green rock teams have continued to work along the Santa Martha and Quillosisa streams. This work has located additional epithermal outcrops of hydrothermal breccias with clastic vuggy silica. These additional epithermal outcrops located have expanded the mineralised area to 1km by 1.4km.

The best results returned include:

- R03001156 39.6 g/t Au, >100 g/t Ag*
- R03000159 7.40 g/t Au, 7.12 g/t Ag
- R03001157 2.93 g/t Au, >100 g/t Ag*
- R03001169 2.52 g/t Au, 6.41 g/t Ag
- R03001194 2.15 g/t Au, 98.3 g/t Ag, 0.35% Pb
- R03001203 1.13 g/t Au, >100 g/t Ag*, 2.3 % Cu, >1.0 % Pb, 0.33 % Zn

A program of gridded soils commenced during the November over both the epithermal and porphyry targets. Mapping is continuing to find new mineralised outcrops, in particular quartz stockworks in diorite along the eastern margin of the NE-SW structural corridor.

An extensive gridded geochemical soil program is underway in the Sharug Project testing the NE-SW trending structural corridor.



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***Ecuador Regional Exploration Projects (continued)***

*Cisne Victoria Project*

Location: Morana Santiago province, South-eastern Ecuador
Ownership: SolGold holds 100% ownership though Cruz del Sol S.A.
Tenement Area: 170 $km^2$
Primary Targets: Copper-gold porphyry

The project lies within the eastern Jurassic Belt, which contains the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara gold-(copper) porphyry deposit (8 million ounces Au). Numerous prospects have been discovered during SolGold' s initial geochemical stream sampling. Significant alteration and mineralisation has been identified that is indicative of a large porphyry system. Best results include a 7 metre continuous channel chip sample that returned: 7m @ 2.28% Cu, 0.73 g/t Au, 8.83 g/t Ag.

Initial first pass exploration is continuing to define the extent of the copper mineralisation and locate new prospects. No work was conducted during the quarter as teams have moved to other projects to commence initial exploration.

**Ayangasa**

Field (Anaconda?) mapping have identified that most outcrops correspond to a metasedimentary sequence, showing strong deformation, with up to 3 metamorphic events. Mineralization is characterised by very weak chalcopyrite and malachite disseminated 0.2% (0.1%) between planes of foliation and metamorphic Qz-Cc veins are observed. In lithological changes (metawackes), a slight increase of disseminated Cpy to 0.5% is observed.

**Coangos**

Commenced early stage exploration on land belonging to the Shuar Kapisunk community located north of the Coangos 2 and Chimius concessions. Activities include stream sediment, pan concentrate and rock chip sampling.

Work was conducted by Cruz Del Sol teams in the Nantip community, located between Coangos, Chimius and Chimius 2 Concessions. The current work area is dominated by a sedimentary sequence composed of sandstones interspersed with volcanic breccias. In general, these rocks do not display strong hydrothermal alteration, however the volcanic brecciated float contains strong copper mineralization (Mal + Az +/- Bo) it is presumed that the source of these mineralized rocks are the headwaters of the basins of the Washinta, Numpaim and Wampukish streams. Results from rock float samples include:

- R02001010 >100g/t Ag, 23.2% Cu
- R02001011 >100g/t Ag, 20.6% Cu
- R02001012 90.4g/t Ag, 13.5% Cu
- R02001013 15.7g/t Ag, 4.12% Cu
- R02001014 5.26g/t Ag, 2.17% Cu
- R02001015 45g/t Ag, 9.67% Cu

Field teams continue mapping and sampling in the Coangos Project. Teams are trying to locate the source of the high-grade results returned from transported boulders located in streams. The majority of outcrops correspond to a repetitive sequence of sandstones and volcanic- breccias. The breccias present subangular clasts of volcanic rocks with ferruginous interstitial matrix. Several mineralised structures have been located but these structures do not have any significant association with hydrothermal alteration.



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***Queensland Projects (Australia)***

SolGold continues to hold tenements across central and southeast Queensland through its wholly owned subsidiaries Central Minerals and Acapulco Mining.

CENTRAL MINERALS

- EPM 25300 Cooper Consolidated
- EPM 19639 Goovigen Consolidated
- EPM 19243 Lonesome
- EPM 18760 Westwood
- EPM 18032 Cracow West

ACAPULCO MINING

- EPM 19410 Normanby
- EPM 25245 Mount Perry

No exploration activities were conducted on the Queensland tenements during this period.

Exploration activities have been planned for Central Minerals EPM 18760 including a soil sampling and follow up drilling north east of drill hole WWD001. A renewal of a land access agreement is required for this work to be completed (the current access agreement expires in March and the proposed program will not be completed before it expires).

Further details on exploration programs on other Queensland tenements will be finalised in coming months with a commitment to maintain and progress the concessions.



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***Solomon Islands Projects***

*Kuma Project*

| | |
|---|---|
| Location: | 37km South-east of Honiara on the island of Guadalcanal |
| Ownership: | SolGold holds 100% ownership |
| Tenement Area: | 43 $km^2$ |
| Primary Targets: | Copper-gold porphyry |

The Kuma project lies just to the south-west of a series of major NW-SE-trending arcparallel faults, associated with numerous Cu and Au anomalies in streams and soils. The project area overlies a 3.5-kilometre wide, annular, caldera-like topographic feature. Annular and nested topographic anomalies in the region suggest the presence of extensive batholiths of the Koloula Diorite beneath the volcanic cover of the Suta Volcanics. The prospect geology is dominated by a 4km by 1km lithocap. This extensive zone of argillic and advanced argillic alteration is caused by hydrothermal fluids that emanate from the top of porphyry copper-gold mineralising systems, and thus provides a buried porphyry copper-gold target.

The geochemically anomalous portion of the Kuma lithocap (north-west end) lies within the annular topographic anomaly. Kuma has a spectacular oxidised float boulder trail along the Kuma River and was traced to Alemba and Kolovelo creeks which led to discovery of broad hydrothermal alteration zones and lithocap (Figure 6).

Previous exploration completed at Kuma included extensive geochemical sampling (BLEG, rock chip and channel samples), geological mapping, a magnetic survey and an electromagnetic survey. Geochemical results define a central zone of manganese depletion (Mn < 200 ppm) inferred to indicate the destruction of mafic minerals by hydrothermal alteration. Zinc > 75 ppm forms an annulus to this zone, and Molybdenum > 4 ppm lies along the margins of the manganese low indicating potential for porphyry CuAu mineralisation at depth. TerraSpec spectral analysis of sieved coarse fraction soil samples covering the Kuma lithocap in integration with known geology in the prospect area has highlighted a primary porphyry target centre in the northern portion of the lithocap that SolGold plans to drill test upon granting of tenure.

SolGold received notification of the grant of the permit to explore the Kuma prospect on 26 of July 2018.

No exploration activities have been undertaken in this period.

*Mbetilonga Project*

SolGold surrendered the Mbetilonga lease in December 2018.

***Additional Disclosure for Issuers without Significant Revenue***

The following table sets out a breakdown of all material components of certain costs to the Company for the quarter ended 31 December 2018 and 2017.

*Mineral Properties – Exploration and Evaluation*

The following table sets out the total deferred exploration costs recorded by the Company for the Cascabel project, the Ecuador regional exploration projects, Queensland projects and the Solomon projects for the quarters ended 31 December 2018 and 2017.



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*Additional Disclosure for Issuers without Significant Revenue (continued)*

| | Cascabel project | | Ecuador Regional Exploration projects | | Queensland projects | | Solomon projects | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Exploration Expenditures** | **Dec'18 (A$'000)** | **Dec'17 (A$'000)** | **Dec'18 (A$'000)** | **Dec'17 (A$'000)** | **Dec'18 (A$'000)** | **Dec'17 (A$'000)** | **Dec'18 (A$'000)** | **Dec'17 (A$'000)** | **Dec'18 (A$'000)** | **Dec'17 (A$'000)** |
| **Balance, beginning of period** | **135,886** | **53,088** | **19,703** | **4,792** | **13,461** | **12,594** | **-** | **-** | **169,050** | **70,474** |
| License fee | - | - | - | - | 20 | 10 | - | - | 20 | 10 |
| Assays and geochemistry | 1,005 | 64 | 48 | 19 | 6 | - | - | - | 1,059 | 83 |
| Camp costs | 422 | 905 | - | 68 | 1 | - | - | - | 423 | 974 |
| Drilling | 15,176 | 8,055 | 314 | 141 | 2 | 118 | - | - | 15,492 | 8,314 |
| Geophysics | 20 | - | 33 | - | - | - | - | - | 53 | - |
| Community | 2,492 | 1,144 | 435 | 139 | - | - | - | - | 2,927 | 1,283 |
| Salaries and labour | 2,655 | 2,048 | 1,530 | 970 | 3 | 1 | - | - | 4,188 | 3,019 |
| Environment | 182 | 194 | 56 | 15 | - | - | - | - | 238 | 209 |
| Other | 2,191 | 921 | 212 | 1,084 | 3 | - | - | - | 2,406 | 2,005 |
| **Total exploration expenditures** | **160,030** | **66,420** | **22,331** | **7,228** | **13,497** | **12,723** | **-** | **-** | **195,858** | **86,371** |
| Mineral properties abandoned | - | (2) | - | - | 4 | - | - | - | 4 | (2)- |
| Foreign exchange adjustment | 3,363 | - | 526 | - | - | - | - | - | 3,889 | - |
| **Balance, end of period** | **163,393** | **66,418** | **22,857** | **7,228** | **13,501** | **12,723** | **-** | **-** | **199,751** | **86,369** |

## *Exploration Outlook*

The focus of the Company during the financial year ending 30 June 2019 will be to continue exploration on its Cascabel project in Ecuador and continue carrying out reconnaissance field mapping and rock chip sampling programs as well as evaluating several mineralised outcropping targets over the 73 new tenements granted to SolGold' s four Ecuadorian subsidiaries.

### *Cascabel Project (Ecuador)*

SolGold is encouraged by the outstanding infill drilling results, which are expected to expand and enrich the existing high-grade resource. The Company is also excited about notable drill hole results outside the previous resource area, such as intersection of primary bornite mineralisation deep at Alpala NW. The discovery of primary bornite-chalcopyrite assemblages with magnetite and in the absence of pyrite, is indicative of the high temperature core many porphyry systems, and warrants follow up drill testing and may lead to unearthing further evidence of a second system adjacent to the Alpala Deposit.

Secondary targets at Cascabel, including Aguinaga, Trivinio, and Moran are planned for drill testing as the Alpala resource development program allows.



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***Cascabel Project (Ecuador) (continued)***

The 2019 drilling campaign at Alpala will add approximately 70-80,000m of drilling to what SolGold believes is already one of the top five undeveloped Cu-Au resources in the world

SolGold is committed to the ongoing development of the Cascabel project. The Alpala Mineral Resource Estimate update (MRE#2) announced on 3 January 2019 was another major milestone.

The next phase of development of the Cascabel project will shift the focus from Exploration to Feasibility activities i.e. readying the project for feasibility (e.g. Preliminary Economic Assessment, Prefeasibility study, and Feasibility study) phase requirements. This includes geotechnical, hydrogeological, metallurgical and sterilisation drilling.

Understanding of the Alpala system and global porphyry systems has provided additional knowledge that the Company is applying in the exploration of other targets within the Cascabel project as well as targets at regional projects.

Aside from Alpala and Aguinaga, Cascabel has defined several other untested targets, namely: Trivinio, Moran, Cristal, Tandayama-America and Chinambicito. It is anticipated that some of these will be drill tested as the requirements at Alpala allow.

***Ecuador Regional Exploration Projects***
The primary focus of exploration in the coming three months continues to be on advancing all priority projects to the next phase of exploration involving auger soils, rock channel sampling and targeted geophysical surveys to identify targets for future drill testing. The results of these second exploration phase activities will help delineate future targets to be drill tested. Remote camps are being built with a view to future drilling programs and Environmental and Social teams are beginning work on the requirements for drill permitting on the eleven priority projects.

A number of targets have been developed in readiness for drilling in regional exploration projects. These will commence once the drilling permissions are granted.

***Queensland Projects (Australia)***
The Company continues to follow up the numerous anomalous areas identified through the regional-scale stream sediment and rock chip sampling program, including the Mt Crompton breccia pipe at the Normanby project. A reassessment of the range of other projects held in Queensland resulted in the definition of detailed work programs that will be put in place as exploration funds become available.

***Solomon Islands project***
A program of geological mapping is planned at Kuma along with reprocessing of existing airborne magnetic data to define drill targets in readiness for a drill program in 2019.



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***Additional Disclosure for Issuers without Significant Revenue***

The table below sets out a summary of the completed activities and expenditures as at and for the quarter ended 31 December 2018. The table below also sets out the Company's plans for its projects and the planned expenditures for each of its projects. The table below includes forward-looking information and readers are encouraged to refer to "Forward Looking Statements":

| Property | Summary of Completed Activities (1 October 2018 – 31 December 2018) | Expenditures (Quarter ended 31 December 2018) A$ | Plans for the Property[1] | Planned Expenditures[1] A$ |
|---|---|---|---|---|
| Cascabel project | • Alpala mineral reserve estimate update (MRE#2)<br>• 27,674m drilled<br>• LiDAR survey over Cascabel concession<br>•<br>• 3D modelling of Alpala deposit<br>• Ongoing studies of PEA<br>• Land acquisitions<br>• Community initiatives | A$27.5 million | Financial year ending 30 June 2019:<br>• Drilling untested targets at Cascabel<br>• Preliminary Economic Assessment (PEA)<br>• Land acquisitions<br>• Studies and drilling targeting pre-feasibility study requirements | A$60 million |
| Ecuador Regional Exploration projects | • Exploration reconnaissance including mapping, soils and rock chips<br>• Development of drill targets<br>• Community engagement | A$3.1 million | Financial year ending 30 June 2019:<br>• Continued exploration reconnaissance<br>• Scout drilling on emerging high priority targets (pending drilling permit approvals)<br>• Further target generation<br>• Community engagement | A$7 million |
| Queensland projects | • No activities in this period | A$0.04 million | Financial year ending 30 June 2019:<br>• 3,000m of drilling<br>• Additional sampling and mapping | A$1 million |
| Solomon Island projects | • Grant of Kuma | A$nil | Financial year ending 30 June 2019:<br>• Land access and negotiations<br>• Data review and target generation | A$0.5 million |

**Notes:**

(1) This information is considered forward-looking information. See "*Forward-Looking Statements*".



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## *LIQUIDITY AND CAPITAL RESOURCES*

At 31 December 2018 the Company had cash and cash deposits of A$118,236,727, an increase of A$36,411,110 from A$81,825,617 as at 30 June 2018.

Cash expenditure (before financing activities) for the half year ended 31 December 2018 was A$62,944,255 (2017: A$26,675,356). During the half year ended 31 December 2018, cash of A$97,429,483 (2017: A$78,296,004) was received from the issue of shares via a placement to BHP, the exercise of options and share placements pursuant to "top-up" rights held by BHP and Newcrest. Accordingly, the net cash inflow of the Company for the half year ended 31 December 2018 was A$34,329,944 (2017: inflow of A$49,066,026).

Cash of A$51,841,877 (2017: A$20,251,265) was invested by the Company on exploration expenditure during the half year ended 31 December 2018.

*Liquidity Outlook*

| | For the period ending | |
|---|---|---|
| | **31 December 2018**<br>**A$** | **30 June 2018**<br>**A$** |
| Cash and cash equivalents | 118,236,727 | 81,825,617 |
| Other receivables and prepayments | 3,400,360 | 4,230,054 |
| Trade and other payables | (6,847,516) | (9,433,665) |
| **Net working capital** | **114,789,571** | **76,622,006** |

SolGold funds its current exploration and corporate costs through existing cash and cash equivalents. The Company has no capital commitments but has certain obligations to expend minimum amounts on exploration in tenement areas. As outlined in the Company's latest annual financial statements (30 June 2018), such commitments amount to A$2,437,126 and A$9,039,669 over the next 12 months and 13 month to 5-year period, respectively. Based on the Company's net working capital position outlined above, it will have sufficient funds to meet these commitments and manage its current portfolio of projects.

Due to the nature of the Company's operations, the Company has no history of revenues from its operating activities and the Company has financed its activities by raising capital through equity issuances or debt. However, given the nature of the Company's current activities, it will remain dependent on equity and/or debt funding in the future until such time as the Company becomes self- financing from the commercial production of mineral resources.

### *OUTSTANDING SHARE DATA*

The Company was authorised to issue 2,755,024,500 ordinary shares at 31 December 2018 of which 1,846,321,033 were outstanding at 31 December 2018. The Company had 1,846,321,033 ordinary shares outstanding at the date of the report, 13 February 2019. At 31 December 2018 the Company had outstanding options to purchase an aggregate of 162,512,000 ordinary shares with exercise prices ranging from £0.40 to £0.60 per share and expiry dates ranging from 8 August 2020 to 20 December 2021. At the date of the report, 13 February 2019, the Company had outstanding options to purchase an aggregate of 162,512,000 ordinary shares with exercise prices ranging from £0.40 to £0.60 per share and expiry dates ranging from 8 August 2020 to 20 December 2021.



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### *CONTINGENCIES*

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US$4 million. Fifty percent (50%) of the royalty can be purchased for US$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US$3 million 90 days following a production decision. The smelter royalty is considered to be a contingent liability as the Group has not yet completed a pre-feasibility study at 31 December 2018 as such there is significant uncertainty over the timing of any payments that may fall due.

In the event Cornerstone Capital Resources Inc.'s (Cornerstone) equity interest in ENSA is diluted below 10%, Cornerstone's equity interest will be converted to a half of one percent (0.5%) interest in a Net Smelter Return and SolGold will have right to purchase the Net Smelter Return for US$3.5 million at any time. At 31 December 2018, Cornerstone's equity interest in ENSA had not diluted below 10%.

On 21 August 2017, Major Drilling Group International Ecuador (hereinafter "Major") filed an arbitration claim before the Arbitration Centre of the Quito Chamber of Commerce against Exploraciones Novomining S.A. ("the Company") for the amount of US$350,000. Major alleged a breach of the drilling contract signed by the parties on 22 September 2016 (hereinafter "Agreement"). On 1 September 2017 the Company filed a counterclaim against Major for the amount of US$360,000 for compensation for damages caused by Major. No provision for any liability has been made in these financial statements beyond the existing trade payable and no receivable has been recognised in connection with the Company's counter claim.

### *TRANSACTIONS WITH RELATED PARTIES*

Transactions with related parties are disclosed in Note 9 to the 31 December 2018 unaudited interim condensed consolidated financial statements. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The figures noted below are for the half year ended 31 December 2018 with comparative figures for the half year ended 31 December 2017.

The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as Chief Executive Officer and Executive Director of the Company. For the half year ended 31 December 2018 A$460,000 was paid or payable to Samuel (2017: A$200,000). The total amount outstanding at the end of the half year was A$ nil (31 December 2017: A$ nil, 30 June 2018: A$16,667).

SolGold plc has a standing Administration and Services Agreement with DGR Global Ltd, an entity associated with Nicholas Mather (a Director) and Brian Moller (a Director) whereby DGR Global Ltd has agreed to provide certain services including the provision by DGR Global Ltd of its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities (''Services''). In consideration for the provision of the Services, the Company shall reimburse DGR Global Ltd for any expenses incurred by it in providing the Services. DGR Global Ltd was paid A$180,000 (2017: A$180,000) for the provision of administration, management and office facilities to the Company during the half year. The total amount outstanding at half year end is A$27,121 (31 December 2017: A$30,000, 30 June 2018: A$94,844).

Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. Hopgood Ganim were paid A$146,123 (2017: A$181,330) for the provision of legal services to the Company during the half year. These services were based on normal commercial terms and conditions. The total amount outstanding at half year end is A$17,761 (31 December 2017: A$33,263, 30 June 2018: A$ nil).

Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the period ended 31 December 2018, Bennett Jones were paid A$46,703 for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at 31 December 2018 is A$ nil (31 December 2017: A$ nil, 30 June 2018: A$ nil).

On 2 July 2018, The Mather Foundation Limited, a Philanthropic Auxiliary Foundation Trust Fund of which Nicholas Mather is a Director, sold 850,000 shares in SolGold.



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The key management personnel of the Company are the directors and officers of the Company. Compensation awarded to key management relating to consulting fees and share-based payments for the quarters ended 31 December 2018 and 2017 are as follows:

| | Salary A$ | Other Benefits[1] A$ | Pensions A$ | Total Remuneration A$ |
|---|---|---|---|---|
| **Three months ended 31 December 2018** | | | | |
| **Directors** | | | | |
| Nicholas Mather | 360,000 | 2,475,308 | - | 2,835,308 |
| Brian Moller | 27,500 | 535,091 | - | 562,591 |
| Robert Weinberg | 17,500 | 332,545 | - | 350,045 |
| John Bovard[3] | 17,500 | 102,737 | - | 120,237 |
| Craig Jones | 17,500 | 332,545 | - | 350,045 |
| James Clare | 17,500 | 804,327 | - | 821,827 |
| Other Key Management Personnel[2] | 923,540 | 5,022,488 | 13,451 | 5,959,480 |
| **Total paid to Key Management Personnel** | **1,381,040** | **9,605,041** | **13,451** | **10,999,533** |

[1] Other Benefits represents the fair value of the share options granted during the period based on either the Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions.

[2] Other Key Management Personnel consist of the aggregated remuneration of Karl Schlobohm (Company Secretary), Priy Jayasuriya (Chief Financial Officer), Jason Ward (Chief Geologist), Benn Whistler (Technical Geologist) and Eduardo Valenzuela (Study Manager).

[3] John Bovard retired as a Director effective 20 December 2018. The Board is currently in the process of assessing potential Board appointment candidates having regard to a range of commercial, regulatory and governance issues.

| | Basic Annual Salary A$ | Other Benefits[1] A$ | Pensions A$ | Total Remuneration A$ |
|---|---|---|---|---|
| **Three months ended 31 December 2017** | | | | |
| **Directors** | | | | |
| Nicholas Mather | 100,000 | 1,198,599 | - | 1,298,599 |
| Brian Moller | 27,500 | 171,228 | - | 198,728 |
| Robert Weinberg | 17,500 | 102,737 | - | 120,237 |
| John Bovard | 17,500 | 102,737 | - | 120,237 |
| Craig Jones | 17,500 | 102,737 | - | 120,237 |
| Other Key Management Personnel[2] | 281,335 | 982,650 | 13,474 | 1,277,459 |
| **Total paid to Key Management Personnel** | **461,335** | **2,660,688** | **13,474** | **3,135,497** |

[1] Other Benefits represents the fair value of the share options granted during the period based on either the Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions.

[2] Other Key Management Personnel consist of the aggregated remuneration of Karl Schlobohm (Company Secretary), Priy Jayasuriya (Chief Financial Officer), Jason Ward (Chief Geologist), Benn Whistler (Technical Geologist) and Lazaro Roque-Albelo (Latin Affairs Manager).

During the quarter, A$13,451 employer's superannuation contribution costs (2017: A$13,474) were paid in respect of remuneration for key management personnel.



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Registered office: 201 Bishopsgate London EC2M3AB Phone: +44 20 7861 9000

*FINANCIAL INSTRUMENTS AND RELATED RISKS*

The Company's financial assets and financial liabilities are exposed to various risk factors that may affect the fair value presentation or the amount ultimately received or paid on settlement of its assets and liabilities. A summary of the major financial instrument risks and the Company's approach to management of these risks are highlighted below.

***Credit Risk***
The Company is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. The Company's cash and cash deposits are held with Australian, Ecuadorian and Solomon Island financial institutions. Management believes that the credit risk concentration with respect to financial instruments included in other receivables and prepayments is manageable.

***Foreign Currency Risk***
The Company transacts a significant portion of its business in US dollars, which is the currency of Ecuador, and therefore is subject to foreign exchange risk on US dollar receivables, trade payables and cash balances. The Company attempts to mitigate these risks by managing its US dollar inflows and outflows and maintaining a significant portion of it cash and cash deposits in US dollars. No hedging instruments have been used by the Company, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments. The Company believes that it adequately manages its foreign exchange risk.

***Liquidity Risk***
The Company has no source of operating cash flow to funds its exploration projects and is dependent on raising funds in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the exploration project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time.

***Other Price Risk***
The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company monitors commodity prices of gold, copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company believes that both commodity and equity price movements can have a substantial effect on the market value of the Company's investments.

***Interest Rate Risks***
The Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The Company's cash and cash deposits may fluctuate in value depending on the market interest rates and time to maturity of the instruments.

Debt is initially recognised at fair value. Subsequent to initial recognition these financial liabilities are held at amortised cost using the effective interest rate method.



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###### *SUBSEQUENT EVENTS*

On 3 January 2019, the Company announced the filing on SEDAR of independent NI 43-101 Technical Report on an updated mineral resource estimate (“MRE#2”) for the Alpala Deposit completed by SRK Consulting (UK) Limited. The MRE#2 comprises 2,050 Mt grading 0.60% copper equivalent ("CuEq") of Indicated Mineral Resources for a contained metal content of 8.4 Mt copper ("Cu") and 19.4 Moz gold ("Au"), and 900 Mt grading 0.35% CuEq of Inferred Mineral Resources for 2.5 Mt Cu and 3.8 Moz Au, using a 0.2% CuEq cut-off grade.

On 31 January 2019, the Company announced that it intends, subject to various conditions, to make an offer to purchase all of the issued and outstanding common shares (the "Cornerstone Shares") of Cornerstone Capital Resources Inc. for consideration consisting of ordinary shares of SolGold (the "SolGold Shares"). If the Offer is successfully completed, holders of Cornerstone Shares who tender their shares under the Offer will receive 0.55 of a SolGold Share in exchange for every Cornerstone Share tendered.

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

At 31 December 2018, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

###### *CRITICAL ACCOUNTING ESTIMATES*

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities, disclosure of commitments and contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience, current and expected economic conditions. Actual results could differ from these estimates.

The significant judgements and estimates used in the preparation of these interim condensed consolidated financial statements that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities and earnings within the next financial reporting periods include:

***Impairment and reversal of impairment of deferred exploration assets***

Deferred exploration assets are tested for impairment at the end of each reporting period if in management’s judgement there is an indicator of impairment. If there are indicators, management performs an impairment test on the major assets within this balance.

Impairment reviews for deferred exploration costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;



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*Impairment and reversal of impairment of deferred exploration assets (continued)*

- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

***Fair value of share-based payments***

Determining the fair value of share-based payments involves estimates of interest rates, expected life of options, share price volatility and the application of a Binomial option-pricing model. The Binomial option-pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate. Share options granted vest in accordance with the ESOP. The valuation of share-based compensation is subjective and can impact profit and loss significantly. Several other variables are used when determining the value of share options using the Binomial valuation model:

- Dividend yield: The Company has not paid dividends in the past because it is in the exploration stage and has not yet earned any significant operating income. Also, the Company does not expect to pay dividends in the foreseeable future. Therefore, a dividend rate of 0% was used for the purposes of the valuation of the share options.
- Volatility: The Company uses historical information on the market price to determine the degree of volatility at the date when the share options are granted. Therefore, depending on when the share options were granted and the period of historical information examined, the degree of volatility can be different when calculating the value of different stock options.
- Risk-free interest rate: The Company used the interest rate available for government securities of an equivalent expected term as at the date of the grant of the share options. The risk-free interest rate will vary depending on the date of the grant of the share options and their expected term.

***CHANGES IN IFRS ACCOUNTING POLICIES AND FUTURE ACCOUNTING PRONOUNCEMENTS***

***New standards and interpretations not yet adopted***

The Company has elected not to early adopt the following revised and amended standards, which are not yet endorsed in the EU. The list below includes only standards and interpretations that could have an impact on the consolidated financial statements of the Company.

*IFRS 16 Leases*

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019. The Group has reviewed its arrangements in place and has concluded that the adoption of this standard is not expected to have a material impact in the future periods.



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##### *Risks and Uncertainties*

Resource exploration is a speculative business and involves a high degree of risk. There is no certainty that the expenditures made by the Company in the exploration of properties will result in discoveries of commercial quantities of minerals. Exploration for mineral deposits involves risks which even a combination of professional evaluation and management experience may not eliminate. Significant expenditures are required locate and estimate ore reserves, and further the development of a property. Capital expenditures to bring a property to a commercial production stage are also significant. There is no assurance the Company has, or will have, commercially viable ore bodies. There is no assurance that the Company will be able to arrange sufficient financing to bring ore bodies into production. The following are some of the risks to the Company, recognising that it may be exposed to other additional risks from time to time:

- General geological risks
- Title risk
- Permitting risk in Ecuador
- Dependence on key management personnel
- Volatility of commodity prices
- Project development risks
- Currency fluctuations
- Land access risks including social licence to operate
- Environmental risks
- Geopolitical, regulatory and sovereign risk

The Company is diligent in minimising exposure to business risk, but by the nature of its activities and size, will always have some risk. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialise, or should underlying assumptions prove incorrect, then actual results may vary materially from those described on forward-looking statements.

##### *Management's Responsibility for Financial Statements*

*Internal Control over Financial Reporting*

No changes occurred in the second quarter of the Company's internal controls over financial reporting ("ICFR") that have materially affected or are reasonably likely to materially affect the Company's ICFR.

Internal control over financial reporting is a process designed by, or under, the supervision of, the CEO and CFO and effected by management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with international financial reporting standards.

*Disclosure Controls and Procedures*

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the CEO and CFO, on a timely basis so that appropriate decisions can be made regarding annual and interim financial statement disclosure.

The Board of Directors carries out its responsibility for the interim condensed consolidated financial statements primarily through the audit committee which is comprised of independent, non-executive directors who meet periodically with management and auditors to review financial reporting and internal control matters.

##### *Additional Information*

Additional information relating to the Company is available on the SEDAR under the Company's issuer profile at www.sedar.com and can be found on the Company's website at www.solgold.com.au.



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*FORWARD-LOOKING STATEMENTS*

Certain statements contained in this MD&A may be deemed "forward-looking statements" within the meaning of applicable Canadian and U.S. securities laws. All statements in this MD&A, other than statements of historical fact, that address future events, developments or performance that SolGold expects to occur including management's expectations regarding SolGold' s growth, results of operations, estimated future revenues, requirements for additional capital, mineral reserve and mineral resource estimates, production estimates, production costs and revenue estimates, future demand for and prices of commodities, business prospects and opportunities and outlook on gold and currency markets are forward-looking statements. In addition, statements (including data in tables) relating to reserves and resources and gold equivalent ounces are forward-looking statements, as they involve implied assessment, based on certain estimates and assumptions, and no assurance can be given that the estimates will be realized. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the words "expects", "plans", "anticipates", "believes", "intends", "estimates", "projects", "potential", "scheduled" and similar expressions or variations (including negative variations), or that events or conditions "will", "would", "may", "could" or "should" occur including, without limitation, the performance of the assets of SolGold, the realization of the anticipated benefits deriving from SolGold' s investments and transactions and the estimate of gold equivalent ounces to be received in 2017. Although SolGold believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements involve known and unknown risks, uncertainties and other factors, most of which are beyond the control of SolGold, and are not guarantees of future performance and actual results may accordingly differ materially from those in forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, without limitation: fluctuations in the prices of the commodities; fluctuations in the value of currency of Canada, Australia and the United Kingdom; regulatory changes by national and local governments, including permitting and licensing regimes and taxation policies; regulations and political or economic developments in any of the countries where properties in which SolGold holds interest are located; risks related to the operators of the properties in which SolGold holds interests; business opportunities that become available to, or are pursued by SolGold; continued availability of capital and financing and general economic, market or business conditions; litigation; title, permit or license disputes related to interests on any of the properties in which SolGold holds interest; development, permitting, infrastructure, operating or technical difficulties on any of the properties in which SolGold holds interest; risks and hazards associated with the business of exploring, development and mining on any of the properties in which SolGold holds interest, including, but not limited to unusual or unexpected geological and metallurgical conditions, slope failures or cave-ins, flooding and other natural disasters or civil unrest or other uninsured risks. The forward-looking statements contained in this MD&A are based upon assumptions management believes to be reasonable, including, without limitation: the ongoing operation of the properties in which SolGold holds interest by the owners or operators of such properties in a manner consistent with past practice; no material adverse change in the market price of the commodities that underlie the asset portfolio; no adverse development in respect of any significant property in which SolGold holds interest; the accuracy of publicly disclosed expectations for the development of underlying properties that are not yet in production; and the absence of any other factors that could cause actions, events or results to differ from those anticipated, estimated or intended. For additional information on risks, uncertainties and assumptions, please refer to the AIF of SolGold filed on SEDAR at www.sedar.com which also provides additional general assumptions in connection with these statements. SolGold cautions that the foregoing list of risk and uncertainties is not exhaustive. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. SolGold believes that the assumptions reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this MD&A should not be unduly relied upon. These statements speak only as of the date of this MD&A. SolGold undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by applicable law.



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