



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 nine months ended 31 March 2019 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the period ended 31 March 2019 and 2018 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 14 May 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](http://www.sedar.com).

## DESCRIPTION OF BUSINESS

SolGold is a UK incorporated 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/](http://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 (“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 200,000m of diamond drilling has been completed on the project. With 10 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 are to continue to infill and expand the deposit at Alpala Southeast, Alpala Northwest, Trivinio and Alpala Western Limb.

The November 2018 Alpala updated Mineral Resource Estimate (MRE) highlights include:

- 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.

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.

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.



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## **OVERALL PERFORMANCE (continued)**

SolGold is using its successful and cost-efficient blueprint established at Alcala, 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.

The Company believes Alcala is just the beginning for SolGold in Ecuador. The Company wholly owns four other subsidiaries active throughout the country that are now focussed on eleven 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 Alcala.

## **OPERATING RESULTS**

### ***The quarter ended 31 March 2019 compared with the quarter ended 31 March 2018***

The Company incurred a loss after tax of A\$2,113,573 and loss per share of 0.1 cents per share for the quarter ended 31 March 2019 compared to a loss after tax of A\$5,610,589 and loss per share of 0.3 cents per share for the quarter ended 31 March 2018. Expenses incurred during the quarter ended 31 March 2019 were A\$4,125,453 compared to A\$5,465,932 for the quarter ended 31 March 2018. The movement in expenses for the quarter ended 31 March 2019 over the comparable quarter ended 31 March 2018 were due to a number of factors, the most notable of which are:

**Administration and consulting expenses** were A\$2,398,088 for the quarter ended 31 March 2019 compared to A\$1,574,423 for the quarter ended 31 March 2018. The variances were due to an increase in several administration expenses from 2018:

- Insurances increased by A\$327,901 largely attributable to increases in political risk insurance premiums;
- Marketing and conference attendance increased by A\$151,088 due to increased profiling of the Company;
- Accounting fees increased by A\$95,252 due to the implementation of a new accounting software package and advice received on technical accounting matters;
- Directors fee increased by A\$50,000 as a result of the increase in the annual salary of the Managing Director and Chief Executive Officer effective from 1 July 2018;
- Office rent and expenses increased by A\$71,060 due to additional office space acquired; and
- Recognition of costs associated with the take-over of Cornerstone Capital Resources Inc. of A\$107,779.

**Employee benefit expenses** decreased by A\$150,027 to A\$297,815 for the quarter ended 31 March 2019 from A\$447,842 for the quarter ended 31 March 2018. The decrease from the comparable prior quarter was due to final employment benefits of A\$137,500 being paid out in February 2018 to the Latin Affairs Manager on cessation of employment.

**Unrealised foreign exchange losses (gains)** decreased by A\$277,996 to an unrealised foreign exchange loss of A\$236,002 for the quarter ended 31 March 2019 compared to an unrealised foreign exchange gain of A\$41,994 for the quarter ended 31 March 2018, 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 its United States dollars inflows and outflows.

**Share based payments expense** decreased by A\$2,247,574 to A\$703,898 for the quarter ended 31 March 2019 compared to A\$2,951,472 for the quarter ended 31 March 2018. The expense recognised for the quarter ended 31 March 2019 represents the balance of 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 March 2018, was significantly higher as the share options had only commenced to vest over the 18-month period, which ceased in February 2019.

## OPERATING RESULTS (continued)

The operating variances for the period are:

For the quarter ended 31 March	2019 A\$	2018 A\$	Variance A\$
<b>Expenses</b>			
Exploration costs written-off	(249,002)	-	(249,002)
Administrative expenses	(3,876,451)	(5,465,932)	1,589,481
<b>Operating loss</b>	<b>(4,125,453)</b>	<b>(5,465,932)</b>	<b>1,340,479</b>
Finance income	300,579	358,142	(57,563)
Finance costs	-	-	-
<b>Loss before tax</b>	<b>(3,824,874)</b>	<b>(5,107,790)</b>	<b>1,282,916</b>
Tax (expense) benefit	1,711,301	(502,799)	2,214,100
<b>Loss for the period</b>	<b>(2,113,573)</b>	<b>(5,610,589)</b>	<b>3,497,016</b>
<b>Other comprehensive profit / (loss)</b>			
<i>Items that may be reclassified to profit and loss</i>			
Change in fair value of financial assets	714,697	(1,173,198)	1,887,895
Exchange differences on translation of foreign operations	(2,032,426)	(454,033)	(1,578,393)
<b>Other Comprehensive (loss) / profit, net of tax</b>	<b>(1,317,729)</b>	<b>(1,627,231)</b>	<b>309,502</b>
<b>Total comprehensive (loss) / income for the period</b>	<b>(3,431,302)</b>	<b>(7,237,820)</b>	<b>3,806,518</b>

### The nine months ended 31 March 2019 compared with the nine months ended 31 March 2018

The Company incurred a loss after tax of A\$40,005,864 and loss per share of 2.2 cents per share for the nine months ended 31 March 2019 compared to a loss after tax of A\$17,322,618 and loss per share of 1.1 cents per share for the nine months ended 31 March 2018. Expenses incurred during the nine months ended 31 March 2019 were A\$42,269,450 compared to A\$15,224,553 for the nine months ended 31 March 2018. The movement in expenses for the nine months ended 31 March 2019 over the comparable nine months ended 31 March 2018 were due to a number of factors, the most notable of which are:

**Administration and consulting expenses** were A\$6,769,229 for the nine months ended 31 March 2019 compared to A\$5,245,298 for the nine months ended 31 March 2018. The variance was mainly due to the increase in the cost of political risk insurance premiums from A\$316,208 for the period ended 31 March 2018 to A\$1.42 million for the period ended 31 March 2019.

**Employee benefit expenses** increased by A\$2,030,422 to A\$3,040,362 for the nine months ended 31 March 2019 from A\$1,009,940 for the nine months ended 31 March 2018. The increase was mainly due to 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 bonuses paid during the period of A\$249,890.

**Unrealised foreign exchange (gains)** increased by A\$1,741,447 to an unrealised foreign exchange gain of A\$1,845,165 for the nine months ended 31 March 2019 compared to an unrealised foreign exchange gain of A\$103,718 for the nine months ended 31 March 2018, as a result of the weakening of the Australian dollar against the United States dollar over the nine month period. 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 its United States dollars inflows and outflows.

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## **OPERATING RESULTS (continued)**

**Share based payments expense** increased by A\$25,359,216 to A\$33,509,735 for the nine months ended 31 March 2019 compared to A\$8,150,519 for the nine months ended 31 March 2018. The expense recognised for the nine months ended 31 March 2019 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 nine months ended 31 March 2018, was significantly lower as the share options granted had a vesting period of 18 months.

## **FINANCIAL POSITION**

Total assets at 31 March 2019 were A\$349,461,196 compared to A\$239,869,729 at 30 June 2018 representing an increase of A\$109,591,467 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, increase in exploration and evaluation expenditure as a result of 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\$6,738,031 primarily as a result of the share placement of 100,000,000 shares to BHP Billiton Holdings Limited. This increase was offset by funding the exploration programs at the Company's flagship Cascabel project and regional exploration concessions in Ecuador which totalled A\$77,516,033 for the nine months ended 31 March 2019.

Non-current assets increased by A\$102,853,436 mainly due to increases in intangible assets, property, plant and equipment, Financial assets held at fair value through OCI and loan receivables. Deferred exploration assets (i.e. intangible assets) increased by A\$81,027,933 due predominantly to the exploration expenditure incurred at the Cascabel project and the Ecuador Regional projects during the nine-month period ended 31 March 2019. Investment in available-for-sale securities increased by A\$6,663,032 representing the mark to market adjustments that the Company makes on its investment in Cornerstone. Loans receivable and other noncurrent assets increased by A\$8,386,399 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\$6,776,072 primarily due to strategic land purchases at the Alpala project.

Current and total liabilities at 31 March 2019 were A\$8,117,286 compared to A\$9,433,665 at 30 June 2018 representing a decrease of A\$1,316,379. The change is due to normal fluctuations in trade payables in line with the Company's exploration and day to day operating activities.

## FINANCINGS

During the quarter ended 31 March 2019, the Company did not issue any additional equities.

## 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
<b>Operations</b>			
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)
<b>Balance Sheet</b>			
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).

## SUMMARY OF QUARTERLY RESULTS

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with 31 March 2019. Financial information is prepared in accordance with IFRS as issued by the IASB and is reported in Australian Dollars.

Quarter ended	31 Mar 2019 A\$	31 Dec 2018 A\$	30 Sep 2018 A\$	30 Jun 2018 A\$
Revenue	-	-	-	-
Loss for the quarter after tax	(2,113,573)	(33,515,074)	(4,377,217)	(2,360,444)
Net loss per share (cents per share)	(0.1)	(1.8)	(0.3)	(0.0)
Loss for the quarter after tax attributable to the owners of the parent	(2,092,351)	(33,494,576)	(4,302,955)	(2,307,503)
Net loss per share attributable to the owners of the parent (cents per share)	(0.1)	(1.8)	(0.3)	(0.0)

**SUMMARY OF QUARTERLY RESULTS (continued)**

Quarter ended	31 Mar 2018 A\$	30 Dec 2017 A\$	30 Sep 2017 A\$	30 Jun 2017 A\$
Revenue	-	-	-	-
Loss for the quarter after tax	(5,610,589)	(5,873,614)	(5,838,413)	(2,054,298)
Net loss per share (cents per share)	(0.3)	(0.4)	(0.4)	(0.2)
Loss for the quarter after tax attributable to the owners of the parent	(5,554,898)	(5,840,273)	(5,814,728)	(2,031,742)
Net loss per share attributable to the owners of the parent (cents per share)	(0.3)	(0.4)	(0.4)	(0.2)

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, excluding the quarter ended 31 December 2018 where the fair value of 94,250,000 unlisted share options (A\$26,465,724) were issued during the quarter which vested immediately. 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 31 December 2018 to 31 March 2019 please refer to Operating Results on page 3.

## EXPLORATION AND EVALUATION ASSETS

Total capitalised expenditures on exploration and evaluation assets as at 31 March 2019 were A\$223,910,800 compared to A\$142,882,867 at 30 June 2018. Exploration expenditure of A\$81,027,933 was incurred during the nine months ended 31 March 2019 compared to A\$54,924,617 during the nine months ended 31 March 2018. An impairment charge of A\$285,592 (impairment charge 2018: A\$1,877) was recognised for exploration associated with tenements that were surrendered or lapsed in the nine month period ended 31 March 2019.

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 March 2019 A\$	Capitalised at 31 March 2019 A\$
Cascabel project	112,788,437	67,793,703	180,582,140
Ecuador Regional Exploration projects	16,871,837	12,902,558	29,774,395
Queensland projects	13,222,593	323,109	13,545,702
Solomon Island projects	-	8,563	8,563
<b>TOTAL</b>	<b>142,882,867</b>	<b>81,027,933</b>	<b>223,910,800</b>

### 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<sup>2</sup>, 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.

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 nine months ended 31 March 2019, the Company spent A\$67,793,703 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. In this period, SolGold has also commenced geotechnical drilling.

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, 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.

The additional drilling and assay information since the maiden MRE of December 2017, 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%) that was reported in the November 2018 Alpala MRE update.

### Cascabel Project (Ecuador) (continued)

The November 2018 Alpala updated Mineral Resource Estimate (MRE) highlights include:

- 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 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*

**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.

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

The 2019 drilling campaign at Cascabel is presently utilising 10 drilling rigs. The drilling fleet currently has three rigs focused on resource upgrade drilling, five rigs focussed on resource extension drilling and two rigs focussed on geotechnical, hydrogeological and sterilisation drilling.

A further two man-portable rigs are under final construction at the HP Drilling workshops and are scheduled to join the Cascabel drilling fleet in May 2019 to expedite geotechnical and hydrogeological drill testing, as well as ongoing monitoring programs.

Ongoing drilling, along the greater Alpala trend, is providing further growth to the Alpala Mineral Resource estimate at Alpala NW, Trivinio, Alpala Western Limb and Alpala South.

Recent drilling supports expectations for future resource growth across both indicated and inferred categories.

The current in-house database is built from 183,330m of drill core samples, the same number of rock-saw trench samples. This represents an additional 49,754m of diamond drilling since the release of the updated Mineral Resource Estimate of January 2019 ("MRE#2").

To date a current total of 189,984m of diamond drilling comprising 168 drill holes has been completed on the Alpala Deposit, including 109 drill holes, 36 daughter holes, 8 re-drills, and 17 over-runs. This represents a further 56,408m of drilling completed since the release of MRE#2. There are also outstanding assay results pending from 6,654m of recent drilling.

Discoveries of previously unknown high grade (>1.5%CuEq) and medium grade (>0.7% CuEq) mineralisation intersected within existing low grade Inferred Resource areas at Alpala highlight potential for upgrades to the existing resource base at Trivinio (Hole 93), Alpala North (Hole 75), Alpala Northwest (Hole 86), and Alpala South (Hole 89).

The potential for resource expansion at Trivinio is bolstered by Hole 93 intersection (862m @ 0.43% CuEq), 520m of which lies outside the existing Inferred Resource area.

Alpala North targets remain open to the north, as shown by Hole 75 intersection (1918m @ 0.53% CuEq), 288m of which lies outside the existing Inferred Resource area.

Discovery of previously unknown QD10 source intrusion at Alpala Northwest, intersected in Hole 86 (318m @ 0.67% CuEq incl. 100m @ 1.34% CuEq), highlights potential for further resource extension as the 2019 drilling campaign continues.

Alpala South mineralisation remains open to the south and towards surface, as revealed by Hole 89 intersection (420m @ 0.61% CuEq).

Geotechnical, hydrogeological and sterilisation drill testing has commenced at Cascabel, ahead of the release of the Preliminary Economic Assessment report.

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### ***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 km<sup>2</sup>.

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 through Carnegie Ridge Resources S.A.
Tenement Area:	1 concession (Blanca) over 97 km <sup>2</sup>
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.

#### ***La Hueca Project***

Location:	Zamora Chinchipe province, Southern Ecuador
Ownership:	SolGold holds 100% ownership through Cruz del Sol S.A.
Tenement Area:	3 concessions, 150 km <sup>2</sup>
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

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

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 carry out 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.

#### **Porvenir Project**

Location: Zamora Chinchipe province, Southern Ecuador  
Ownership: SolGold holds 100% ownership through Green Rock Resources S.A.  
Tenement Area: 244 km<sup>2</sup>  
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**

The exposed outcrops along La Cacharposa Creek in Target 15 lie within soil copper, gold, molybdenum, Cu/Zn and Mo/Mn geochemical anomalies that cover an area approximately 1200m long and 800m wide. The presence of potassic alteration (K-feldspar – magnetite) overprinted by intermediate argillic alteration (chlorite – sericite – clay) is associated with higher gold grades and surrounded by phyllic (quartz – sericite – pyrite) and extensive epidote-propylitic alteration. The size and strength of the geochemical anomalies and the zoning of the hydrothermal alteration assemblages are consistent with the presence of a porphyry copper-gold system.

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

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. Results for the area 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

Ongoing rock saw sampling in this period has extended the Cachaposa Creek intercept to:

- 147.83m @ 0.64% CuEq (0.43 g/t Au, 0.37% Cu) including 82.63m @ 0.96% CuEq (0.71 g/t Au, 0.55% Cu).

The assay results from this work show highly consistent copper and gold grades throughout the intersection and exhibit a consistent copper–gold ratio of approximately 1% Cu:1 g/t Au. Work is continuing upstream.

Field studies of the porphyry-related vein types and paragenesis at Target 15 are ongoing, and initial work indicates a sequential vein development typical of many significant porphyry deposits such as Alpala. 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.

#### Mula Muerta Creek

The Mula Muerta Creek, located on the opposing side of the ridge from the Carchaposa creek displays similar style mineralisation. Both areas are believed to be part of the same mineralised system within the 800m wide northeast trending mineralised corridor approximately 1200m long and open-ended, interpreted to be genetically related to the intersection of deep-seated northwest and northeast trending crustal faults.

The lithology of along the Mula Muerta creek comprises greenstone with fine veinlets of albite and magnetite in some areas. The other unit is monzodiorite with weak magnetism.

The Mula Muerta creek contains two alteration types;

- Argillic intermediate with moderate chlorite and sericite present in monzodiorite.
- Phyllic (quartz-sericite-pyrite) that is moderate to strong at the top of the Mula Muerta creek system.

The two areas of hydrothermal alteration have been mapped and sampled. The first area is characterised by pyrite (2.5%) - chalcocite (0.8%) ± chalcopyrite (0.3%). The other area exhibits pyrite (3%) - chalcocite (0.7 %) - chalcopyrite (0.1)± molybdenum (tr-0.1%).

Fathom geophysics carried out 3D geochemical modelling at Porvenir using the auger soil data collected to date. Both the Target 15 and the Bartolo targets were identified as excellent targets with Target 15 representing shallow and deeper drill targets and the Bartolo prospect representing a deep target. Two additional targets were identified from the Porvenir dataset. Further delineation of the two new target areas was performed through extending the Anaconda mapping over anomalous areas and in-filling auger soils over the 3D geochemical targets.

Porvenir is a challenging project to drill test due to its isolated location and difficult river crossings. Logistics teams are preparing for a scout drilling program that will commence on Government approvals (indications are that these approvals are imminent).

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.

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

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<sup>2</sup>  
 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.

#### **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

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

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

No further exploration activities have been conducted Cisne Loja during this period.

#### **Timbara Project**

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<sup>2</sup>  
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.

Valle Rico technical teams moved to Timbara 2 concession to complete follow up prospecting 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

To date, a total of 430 stream sediment samples and 406 panned concentrate samples have been collected in the Timbara Project. Results highlight the potential for epithermal mineralisation in Timbara 1 & 2 concessions and porphyry style mineralisation in Timbara 4 concession. Teams have commenced detailed Anaconda mapping and rock chip sampling of the anomalous areas. Results are expected next month.

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***Ecuador Regional Exploration Projects (continued)******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 <sup>2</sup>
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.

No further exploration activities have been conducted during this period.

Negotiations with landholders have progressed to allow access to all areas of the concession allowing progression in the ensuing reporting periods.

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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 <sup>2</sup>
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. Negotiations for access is ongoing.

No further exploration activities have been conducted during this period.

#### ***Salinas Project***

Location:	Bolivar province, Southwest Ecuador
Ownership:	SolGold holds 100% ownership though Valle Rico Resources S.A.
Tenement Area:	4 concessions, 189 km <sup>2</sup>
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.

No further exploration activities have been completed during this period.

Planning and logistics are well under way to progress activities in the ensuing months.

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

Location:	Azuy province, Southwest Ecuador
Ownership:	SolGold holds 100% ownership though Green Rock Resources S.A.
Tenement Area:	2 concessions, 52 km <sup>2</sup>
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

The gridded soil program at Sharug covering the mineralised outcropping epithermal veins continues. Comb quartz veins observed in epithermal outcrops:

- Represent low sulphidation epithermal veins that form at temperatures >250°C proximal to a causal intrusion.
- Contain Au-Ag- Mo-Pb-Sb -(Cu-Zn), particularly where the texture is vuggy with hematite and goethite gossanous infill.
- Post-date the tourmaline breccias which are low in gold in most areas

Results confirm two targets in Sharug 2 that have been named Quillosisa epithermal and Santa Martha porphyry. The Quillosisa epithermal target (northern target) returned anomalous results for Au, Ag, Pb, Zn, Sb, Bi coincident with mineralized outcrops occurring in an area 500 x 150 meters. The Santa Martha porphyry returned results high in Cu and Mo coincident with the mineralised outcrop displaying strong stockwork quartz and feldspar veinlets, with disseminated chalcopyrite and secondary biotite in an area of 1200 x 600 meters.

## Ecuador Regional Exploration Projects (continued)

### Cisne Victoria Project

Location:	Morana Santiago province, South-eastern Ecuador
Ownership:	SolGold holds 100% ownership through Cruz del Sol S.A.
Tenement Area:	170 km <sup>2</sup>
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 mapping has 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

Cruz del Sol teams have discovered two areas of mineralised outcrops in the Coangos project composed of copper-carbonates and copper-oxides exposed mainly in fractures. Stream outcrops are up to 120m in length.

**Anomaly 1** contains mineralization hosted in volcanoclastic rocks. The copper-silver zones contain primary chalcocite and chalcopyrite, and secondary chrysocolla, malachite, and tenorite. Near-source stream boulders with chrysocolla have returned very high copper and silver grades. The main vein-joint orientation is 20°/70°E. A second area of concentrated copper-silver occurrences is associated with regional faults oriented 128°/62°W and 240°/85°W. Chrysocolla – tenorite occur together with k-feldspar, plagioclase, and carbonates in micro-fractures. The following significant results have been obtained from in situ outcrops:

- R02001026 9.27% Cu, 91.5g/t Ag
- R02001027 8.31% Cu, 99.8g/t Ag
- R02001031 6.12% Cu, 60.1g/t Ag
- R02001019 4.13% Cu, 23.0g/t Ag
- R02001021 3.19% Cu, 28.3g/t Ag
- R02001017 2.23% Cu, 17.3g/t Ag

Results from rock float samples include:

- R02001010 23.2% Cu, 122g/t Ag
- R02001011 20.6% Cu, 114g/t Ag
- R02001012 13.5% Cu, 90.4 g/t Ag

Field teams continue mapping and sampling in the Coangos Project. Teams have located likely sources 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 that have corresponding high grades.

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**Ecuador Regional Exploration Projects (continued)**

**Anomaly 2** is located at the head of the Numpaim River where a breccia structure has been mapped. Mineralisation is associated with a fault breccia containing quartz veins up to 8mm thick, sugary quartz clasts, rhodochrosite, barite and calcite in a zone of chlorite-sericite alteration.

The breccia outcrop contains up to 7% bornite, 3% chalcocite, 1% chalcopyrite 1% and 5% enargite. The breccia is exposed along strike in two separate streams, located 200m apart. The structure has not been closed off and mapping continues in streams along strike.

Rock chip samples from the breccia return:

- R02001034 27.98% Cu, 227 g/t Ag, 0.98% Zn
- R02001035 8.37% Cu
- R02001036 6.45% Cu

Anomaly 2 mapping delineated an 8m wide mineralised breccia mapped over 200m in the southwestern edge of Anomaly 2. The structure has quartz-sericite-chlorite alteration, containing abundant bornite, chalcopyrite, chalcocite and enargite.

Auger soil sampling over Anomalies 1 & 2 continued during this period with results expected in April.

**Chical:** Follow up of anomalous stream sediment geochemistry has identified 5.8km<sup>2</sup> area of mineralised epithermal veining comprising 3 prospect areas; Pascal, La Esperanza and Espinoza prospects. Mineralisation is associated with an extensive contact zone between intrusive granodiorite and gabbro with volcano-sedimentary units. Mineralised is related to epithermal stockwork quartz veining with density of 10 to 15 per metre with associated strong chlorite-sericite-epidote hydrothermal alteration.

Follow up mapping and rock chip sampling of a stream sediment geochemical gold anomaly, known as the Pascal and Espinoza prospects returned rock results of up to 45.5 g/t Au in granodiorite and andesite rocks. Samples were taken from epithermal quartz stockwork outcrops associated with the mineralisation. Significant rock chip results from the Pascal prospect include:

- R01003083 45.5g/t Au (float)
- R01003217 7.05 g/t Au
- R01003148 3.27g/t Au
- R01003134 2.57g/t Au
- R01003064 2.41g/t Au

A stream sediment geochemical copper anomaly was also identified in the La Esperanza prospect dominated by diorite and granodiorites with veinlets of quartz – chalcopyrite associated with potassic alteration. This copper anomaly has coincident molybdenum and copper - zinc ratio (Cu/Zn) geochemical anomalies. Best geochemical rock chip results include:

- R01003071 1.04% Cu, 0.42 g/t Au, 886 ppm Mo
- R01003095 0.94% Cu, 0.18 g/t Au, 5.84 ppm Mo
- R01003156 0.9% Cu, 0.44 g/t Au, 348 ppm Mo
- R01003226 0.63% Cu, 0.59 g/t Au, 50.8 ppm Mo (float)
- R01003157 0.42% Cu, 0.1 g/t Au, 459 ppm Mo

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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

A soil sampling program was completed on the Westwood tenement; however, no results have been received to date. Follow up drilling is planned for the area north east of drill hole WWD001: the results from the soil sampling program will be used to finalise these plans. A land access agreement was renewed during this period to enable continued exploration works.

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 <sup>2</sup>
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 lead to discovery of broad hydrothermal alteration zones and lithocap (Figure 6).

Previous exploration completed at Kuma under the Guadalcanal Joint Venture between SolGold and Newmont 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 March 2019 and 2018.

### *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 March 2019 and 2018.

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

Exploration Expenditures	Cascabel project		Ecuador Regional Exploration projects		Queensland projects		Solomon projects		Total	
	Mar'19 (A\$'000)	Mar'18 (A\$'000)	Mar'19 (A\$'000)	Mar'18 (A\$'000)	Mar'19 (A\$'000)	Mar'18 (A\$'000)	Mar'19 (A\$'000)	Mar'18 (A\$'000)	Mar'19 (A\$'000)	Mar'18 (A\$'000)
<b>Balance, beginning of period</b>	<b>163,393</b>	<b>66,614</b>	<b>22,857</b>	<b>7,032</b>	<b>13,501</b>	<b>12,723</b>	-	-	<b>199,751</b>	<b>86,369</b>
License fee	138	130	4,167	4,006	17	-	-	-	4,322	4,136
Assays and geochemistry	646	76	73	6	-	-	-	-	719	82
Camp costs	824	798	83	343	1	-	-	-	908	1,141
Drilling	10,738	11,098	533	106	-	310	-	-	11,271	11,514
Geophysics	-	-	5	-	-	-	-	-	5	-
Community	2,277	1,247	408	214	-	-	-	-	2,685	1,461
Salaries and labour	2,035	2,688	1,562	1,488	13	-	9	-	3,619	4,176
Environment	507	333	59	-	-	-	-	-	566	333
PEA	1,085	-	-	-	-	-	-	-	1,085	-
Other	475	5,080	556	969	11	-	-	-	1,042	6,049
<b>Total exploration expenditures</b>	<b>182,118</b>	<b>88,064</b>	<b>30,303</b>	<b>14,164</b>	<b>13,543</b>	<b>13,033</b>	<b>9</b>	<b>-</b>	<b>225,973</b>	<b>115,261</b>
Mineral properties abandoned	-	-	(290)	-	4	-	-	-	(286)	-
Foreign exchange adjustment	(1,536)	1,192	(240)	150	-	-	-	-	(1,776)	1,342
<b>Balance, end of period</b>	<b>180,582</b>	<b>89,256</b>	<b>29,773</b>	<b>14,314</b>	<b>13,547</b>	<b>13,033</b>	<b>9</b>	<b>-</b>	<b>223,911</b>	<b>116,603</b>

**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-chalcocopyrite 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.

### 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 March 2019. 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 January 2019 – 31 March 2019)	Expenditures (Quarter ended 31 March 2019) A\$	Plans for the Property <sup>(1)</sup>	Planned Expenditures <sup>(1)</sup> A\$
Cascabel project	<ul style="list-style-type: none"> <li>• 19,919m drilled</li> <li>• 3D modelling of Alpala deposit</li> <li>• Ongoing studies of PEA</li> <li>• Land acquisitions</li> <li>• Community initiatives</li> </ul>	A\$16.8 million	<u>Financial year ending 30 June 2019:</u> <ul style="list-style-type: none"> <li>• Drilling untested targets at Cascabel</li> <li>• Preliminary Economic Assessment (PEA)</li> <li>• Land acquisitions</li> <li>• Studies and drilling targeting pre-feasibility study requirements</li> </ul>	A\$60 million
Ecuador Regional Exploration projects	<ul style="list-style-type: none"> <li>• Exploration reconnaissance including mapping, soils and rock chips</li> <li>• Development of drill targets</li> <li>• Community engagement</li> </ul>	A\$6.9 million	<u>Financial year ending 30 June 2019:</u> <ul style="list-style-type: none"> <li>• Continued exploration reconnaissance</li> <li>• Scout drilling on emerging high priority targets (pending drilling permit approvals)</li> <li>• Further target generation</li> <li>• Community engagement</li> </ul>	A\$7 million
Queensland projects	<ul style="list-style-type: none"> <li>• Soil Sampling in the Westwood concession</li> </ul>	A\$0.019 million	<u>Financial year ending 30 June 2019:</u> <ul style="list-style-type: none"> <li>• 3,000m of drilling</li> <li>• Additional sampling and mapping</li> </ul>	A\$1 million
Solomon Island projects	<ul style="list-style-type: none"> <li>• Nil</li> </ul>	A\$0.009 million	<u>Financial year ending 30 June 2019:</u> <ul style="list-style-type: none"> <li>• Land access and negotiations</li> <li>• Data review and target generation</li> </ul>	A\$0.5 million

**Notes:**

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

## LIQUIDITY AND CAPITAL RESOURCES

At 31 March 2019 the Company had cash and cash deposits of A\$87,560,616, an increase of A\$5,734,999 from A\$81,825,617 as at 30 June 2018.

Cash expenditure (before financing activities) for the nine months ended 31 March 2019 was A\$93,370,153 (2018: A\$59,955,796). During the nine months ended 31 March 2019, cash of A\$97,429,483 (2018: A\$78,406,209) 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 nine months ended 31 March 2019 was A\$3,889,833 (2018: inflow of A\$15,692,338).

Cash of A\$77,516,033 (2018: A\$49,265,275) was invested by the Company on exploration expenditure during the nine months ended 31 March 2019.

### Liquidity Outlook

	For the period ending	
	31 March 2019	30 June 2018
	A\$	A\$
Cash and cash equivalents	87,560,616	81,825,617
Other receivables and prepayments	5,233,086	4,230,054
Trade and other payables	(8,117,286)	(9,433,665)
<b>Net working capital</b>	<b>84,676,416</b>	<b>76,622,006</b>

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 March 2019 of which 1,846,321,033 were outstanding at 31 March 2019. The Company had 1,846,321,033 ordinary shares outstanding at the date of the report, 14 May 2019. At 31 March 2019 the Company had outstanding options to purchase an aggregate of 160,262,000 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, 14 May 2019, the Company had outstanding options to purchase an aggregate of 160,262,000 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 tenement. This royalty 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 March 2019 as such there is significant uncertainty over the timing of any payments that may fall due.

SolGold elected to undertake the Optional Subscription under the terms of the Term Sheet (Term Sheet) signed between SolGold plc and Cornerstone Capital Resources Inc. (CGP), CGP's subsidiary Cornerstone Ecuador S.A., (CESA) and Exploraciones Novomining S.A., (ENSA) and holds an aggregate registered and beneficial equity position in ENSA of 85% under the terms of the Term Sheet. CGP and CESA elected to obtain the benefit of the Financing Option whereby SolGold will solely fund all operations and activities of ENSA until the completion of a Feasibility Study, including CESA's contribution as the registered and beneficial holder of an aggregate equity position in ENSA of 15%. After completion and delivery of the Feasibility Study, SolGold and CESA shall jointly fund the operations and activities of ENSA based on their respective equity positions in ENSA's on a proportionate basis. Furthermore, the Term Sheet allows for SolGold to be fully repaid for the financing provided, including interest at LIBOR plus 2% for the expenditures incurred by SolGold from the time CGP and CESA elected the Financing Option and the completion of the First Phase Drill Program (FPDP). SolGold is to be repaid out of 90% of CESA's distribution of earnings or dividends from ENSA or the Cascabel Tenement to which CESA would otherwise be entitled. If CESA does not elect to contribute and its equity stake in ENSA is diluted to below 10%, its equity stake in ENSA will be converted to a 0.5% interest in the Net Smelter Return and SolGold may acquire this interest for US\$3.5 million at any time.

The amount receivable from CESA at 31 March 2019 was \$28,623,284 (2018: \$13,229,830). As there is uncertainty as to whether ENSA will be able to distribute earnings or dividends, a provision for doubtful debts has been recognised on the entire amount receivable from CESASolGold

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.



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#### **TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties are disclosed in Note 10 to the 31 March 2019 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 nine months ended 31 March 2019 with comparative figures for the nine months ended 31 March 2018.

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 nine-month period ended 31 March 2019 A\$610,000 was paid or payable to Samuel (2018: A\$300,000). The total amount outstanding at the end of the nine-month period was A\$ nil (31 March 2018: 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 shall also invoice the Company from time to time for the provision of in-house legal counsel services. DGR Global Ltd was paid A\$281,056 (2018: A\$270,000) for the provision of administration, management and office facilities to the Company during the nine-month period. The total amount outstanding at the end of the nine-month period is A\$5,199 (31 March 2018: 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\$188,369 (2018: A\$216,408) for the provision of legal services to the Company during the nine-month period ended 31 March 2019. These services were based on normal commercial terms and conditions. The total amount outstanding at 31 March 2019 is A\$ nil (31 March 2018: A\$4,421, 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 March 2019, Bennett Jones were paid A\$218,337 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 March 2019 is A\$171,634 (31 March 2018: 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.

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 March 2019 and 2018 are as follows:

	Salary A\$	Other Benefits <sup>1</sup> A\$	Pensions A\$	Total Remuneration A\$
<b>Three months ended 31 March 2019</b>				
<b>Directors</b>				
Nicholas Mather	150,000	360,869	-	510,869
Brian Moller	27,500	51,553	-	79,053
Robert Weinberg	17,500	30,932	-	48,432
Craig Jones	17,500	30,932	-	48,432
James Clare	17,500	-	-	17,500
Other Key Management Personnel <sup>2</sup>	243,682	198,681	15,693	458,056
<b>Total paid to Key Management Personnel</b>	<b>473,682</b>	<b>672,967</b>	<b>15,693</b>	<b>1,162,342</b>

<sup>1</sup> 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.

<sup>2</sup> 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).

	Basic Annual Salary A\$	Other Benefits <sup>1</sup> A\$	Pensions A\$	Total Remuneration A\$
<b>Three months ended 31 March 2018</b>				
<b>Directors</b>				
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 <sup>2</sup>	376,549	982,650	12,303	1,371,503
<b>Total paid to Key Management Personnel</b>	<b>556,549</b>	<b>2,660,688</b>	<b>12,303</b>	<b>3,229,541</b>

<sup>1</sup> 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.

<sup>2</sup> 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\$15,693 employer's superannuation contribution costs (2018: A\$12,303) were paid in respect of remuneration for key management personnel.

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**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 its 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 fund 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 months' 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***

The Directors are not aware of any significant changes in the state of affairs of the Group or events after balance date that would have a material impact on the half year condensed consolidated financial statements.

***OFF-BALANCE SHEET ARRANGEMENTS***

At 31 March 2019, 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 Black Scholes model or Monte Carlo Simulation option-pricing model. The Black Scholes and Monte Carlo option-pricing models 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 to 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 third 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](http://www.sedar.com) and can be found on the Company's website at [www.solgold.com.au](http://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](http://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.