



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 ended 30 September 2019 and should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements for the period ended 30 September 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 November 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 4.87% 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. 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, with over 227,000m of diamond drilling completed on the project since discovery. A total of 11,170m of diamond drilling has been completed in this period, with drilling discontinued from September in consideration of draught conditions, prudent cash management and an overall satisfactory programme completed so far this year in the context of necessary study related drilling.

The period has seen further positive developments at Cascabel and the focus during the period was on the advancement of the Pre-Feasibility Study (PFS) and the delivery of the third Mineral Resource Estimate (MRE#3), which remains on track for release in December 2019. The PFS is currently concentrating on field work to ensure all hydrogeological, geotechnical, surface hydrology, metallurgical testwork, surface geotechnical investigation on areas identified for major infrastructure, the geometallurgical model, and other inputs critical to the PFS are available as planned. In parallel with these activities, study work concerning the mining, ore processing and infrastructure components of the PFS are proceeding as the above inputs become available. The PFS is expected to be released in early 2020.

The Company is also excited about notable drill hole results outside the previous resource area which promise further growth for the 2020 drilling campaign.

The 2020 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 up to 100,000m of drilling utilising 10 machines is envisaged for the coming calendar year; SolGold has a budget of some US\$30 million for the program. The 2020 drilling objectives are to continue to infill and expand the deposit at Alpala Southeast, Alpala Northwest, Trivinio and Alpala Western Limb.

SolGold is using its successful and cost-efficient blueprint established at Alpala, and Cascabel generally, to explore for additional world class copper and gold projects across Ecuador. Most recent results from the Company's regional exploration drilling campaign at the Cisne-Loja Project where a recent discovery of a large copper gold target at the Celen Prospect that has the geochemical and geophysical hallmarks of a large porphyry system is evidence of this. 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 Alpala is just the beginning for SolGold in Ecuador. The Company wholly owns four other subsidiaries active throughout the country that are now focussed on 12 high priority gold and copper resource targets, several of which the Company believes have the potential, subject to resource definition and feasibility, to be developed in close succession or even on a more accelerated basis from Alpala.

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**OVERALL PERFORMANCE (continued)**

SolGold is in late stage negotiations on a number of strategic financing options, and the monthly cash burn has been adjusted in order to complete these discussions by year end to enable the Company to continue its ambitious strategy to complete a definitive feasibility study on Alpala by the end of 2020 and to continue its regional exploration campaign.

The Company has continued its extensive community engagement and health, safety and environmental initiatives, including base line studies for the PFS. Providing equal opportunities and having a largely local workforce makes SolGold a strong contributor to the local economy. We remain committed to establishing and implementing sustainable practices and building the foundations for a positive legacy for all stakeholders. As a result, SolGold was not impacted during the temporary country-wide unrest caused by the announcement of a financial reform package in early October 2019.

**OPERATING RESULTS*****The quarter ended 30 September 2019 compared with the quarter ended 30 September 2018***

The Company incurred a loss before tax of US\$2,680,544 and loss per share of 0.2 cents per share for the quarter ended 30 September 2019 compared to a loss before tax of US\$3,935,468 and loss per share of 0.2 cents per share for the quarter ended 30 September 2018. Expenses incurred during the quarter ended 30 September 2019 were US\$2,852,017 compared to US\$3,941,526 for the quarter ended 30 September 2018. The movement in expenses for the quarter ended 30 September 2019 over the comparable quarter ended 30 September 2018 were due to a number of factors, the most notable of which are:

***Unrealised foreign exchange gains*** decreased by US\$1,859,286 to an unrealised foreign exchange loss of US\$770,780 for the quarter ended 30 September 2019 compared to an unrealised foreign exchange gain of US\$1,088,506 for the quarter ended 30 September 2018, as a result of the strengthening United States dollar against the British Pound.

***Share based payments expense*** decreased by US\$2,987,530 to US\$76,625 for the quarter ended 30 September 2019 compared to US\$3,064,155 for the quarter ended 30 September 2018. The expense recognised for the quarter ended 30 September 2019 represents the fair value of 3,250,000 unlisted share options issued during the quarter which vested immediately. The share based payment expense recognised for the quarter ended 30 September 2018, was significantly higher as the share options granted were for 21,500,000 which vested immediately and 46,750,000 spread over a vesting period of 18 months.

All other expenses for the quarter ended 30 September 2019 remained consistent to those for the quarter ended 30 September 2018.

## OPERATING RESULTS (continued)

The operating variances for the period are:

| For the quarter ended 30 September                          | 2019<br>US\$       | 2018<br>US\$       | Variance<br>US\$   |
|---|--------------------|--------------------|--------------------|
| <b>Expenses</b>   |                    |                    |                    |
| Exploration costs written-off                               | (4,282)            | (30,072)           | 25,790             |
| Administrative expenses                                     | (2,847,735)        | (3,911,454)        | 1,063,719          |
| <b>Operating loss</b>                                       | <b>(2,852,017)</b> | <b>(3,941,526)</b> | <b>1,089,509</b>   |
| Finance income  | 171,473            | 6,058              | 165,415            |
| Finance costs   | -                  | -                  | -                  |
| <b>Loss before tax</b>                                      | <b>(2,680,544)</b> | <b>(3,935,468)</b> | <b>1,254,924</b>   |
| Tax (expense) benefit                                       | (752,726)          | 701,103            | (1,453,829)        |
| <b>Loss for the period</b>                                  | <b>(3,433,270)</b> | <b>(3,234,365)</b> | <b>(198,905)</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 held at fair value | (1,972,236)        | 1,662,957          | (3,635,193)        |
| Exchange differences on translation of foreign operations   | (304,789)          | (1,929,702)        | 1,624,913          |
| Change in other reserves                                    | (13,582)           | -                  | (13,582)           |
| <b>Other Comprehensive (loss) / profit, net of tax</b>      | <b>(2,290,607)</b> | <b>(266,745)</b>   | <b>(2,023,862)</b> |
| <b>Total comprehensive (loss) / income for the period</b>   | <b>(5,723,877)</b> | <b>(3,501,110)</b> | <b>(2,222,767)</b> |

## FINANCIAL POSITION

Total assets at 30 September 2019 were US\$238,597,684 compared to US\$244,716,163 at 30 June 2019 representing a decrease of US\$6,118,479 largely as a result of the decrease in financial assets held at fair value through OCI of US\$2,725,188, unrealised foreign exchange losses of US\$770,780 during the quarter on the revaluation of funds held in Great British Pounds and cash outflows from operating activities of US\$1,520,489.

Current assets decreased by US\$21,300,542 primarily as a result of a decrease in cash and cash equivalents of \$25,239,514 as a direct result of funding the exploration programs at the Company's flagship Cascabel project and the newly granted exploration concessions in Ecuador, offset by the increase in other receivables and prepayments of \$3,938,972 resulting from the payment of deposits to acquire strategic land parcels at the Alpala project area.

Non-current assets increased by US\$15,182,063 mainly due to increases in intangible assets. Deferred exploration assets (i.e. intangible assets) increased by US\$17,917,954 due predominantly to the exploration expenditure incurred at the Cascabel project and the various Regional projects in Ecuador as identified in this report, during the period ended 30 September 2019. This increase was offset by the decrease in financial assets held at fair value through OCI of US\$2,724,952 representing the mark to market adjustments that the Company makes on its investment in Cornerstone.

Current and total liabilities at 30 September 2019 were US\$6,043,365 compared to US\$6,514,592 at 30 June 2019 representing a decrease of US\$471,227. The change is due to normal fluctuations in trade payables representing the day to day operating activities.

## FINANCINGS

During the quarter ended 30 September 2019, the Company issued the following equities:

- On 20 September 2019, the Company issued a total of 3,125,000 unlisted options to Liam Twigger (recently appointed Director). The options vested immediately, have a strike price of £0.60 and are exercisable through to 20 December 2021.

## SELECTED FINANCIAL DATA

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

| Year ended 30 June                                 | 2019<br>US\$ | 2018<br>US\$ | 2017<br>US\$ |
|--|--------------|--------------|--------------|
| <b>Operations</b>                                  |              |              |              |
| Loss for the year after tax                        | (32,069,793) | (15,154,446) | (3,395,229)  |
| Total comprehensive income (loss) for the year     |              |              |              |
| - Owners of the parent company                     | (31,941,715) | (15,026,902) | (3,333,400)  |
| - Non-controlling interest                         | (128,078)    | (127,544)    | (61,829)     |
| Basic and diluted loss per share (cents per share) | (1.8)/(1.8)  | (0.9)/(0.9)  | (0.3)/(0.3)  |
| <b>Balance Sheet</b>                               |              |              |              |
| Working capital (deficit)                          | 38,122,935   | 56,723,271   | 67,551,617   |
| Total assets                                       | 244,716,163  | 177,575,560  | 128,151,038  |
| Total liabilities                                  | 6,514,592    | 6,983,742    | 2,107,113    |
| 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 30 September 2019. Financial information is prepared in accordance with IFRS as issued by the IASB and is reported in United States Dollars.

| Quarter ended   | Sep 30, 2019<br>US\$ | Jun 30, 2019<br>US\$ | Mar 31, 2019<br>US\$ | Dec 31, 2018<br>US\$ |
|---|----------------------|----------------------|----------------------|----------------------|
| Revenue   | -                    | -                    | -                    | -                    |
| Loss for the quarter after tax  | (3,433,270)          | (3,556,694)          | (1,506,392)          | (23,886,964)         |
| Net loss per share (cents per share)  | (0.2)                | (0.2)                | (0.1)                | (1.4)                |
| Loss for the quarter after tax attributable to the owners of the parent       | (3,416,584)          | (3,511,278)          | (1,491,267)          | (23,872,355)         |
| Net loss per share attributable to the owners of the parent (cents per share) | (0.2)                | (0.2)                | (0.1)                | (1.4)                |

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**SUMMARY OF QUARTERLY RESULTS (CONTINUED)**

| Quarter ended   | Sep 30, 2018<br>US\$ | Jun 30, 2018<br>US\$ | Mar 31, 2018<br>US\$ | Dec 31, 2017<br>US\$ |
|---|----------------------|----------------------|----------------------|----------------------|
| Revenue   | -                    | -                    | -                    | -                    |
| Loss for the quarter after tax  | (3,234,365)          | (3,556,470)          | (3,997,932)          | (2,960,515)          |
| Net loss per share (cents per share)  | (0.2)                | (0.0)                | (0.3)                | (0.4)                |
| Loss for the quarter after tax attributable to the owners of the parent       | (3,179,492)          | (3,526,538)          | (3,964,284)          | (2,935,598)          |
| Net loss per share attributable to the owners of the parent (cents per share) | (0.2)                | (0.0)                | (0.3)                | (0.4)                |

Net loss presented over the eight quarters generally reflects general and administrative costs which includes unrealised foreign exchange gains and losses as well as share based payment expenses. The general and administrative costs have remained relatively consistent, excluding the quarter ended 31 December 2018 where the fair value of 94,250,000 unlisted share options (US\$18,862,730) were issued during the quarter which vested immediately. Furthermore, the loss is also significantly impacted by the recognition of share based payment expenses recognised over the vesting period of options granted to directors, employees and contractors.

## EXPLORATION AND EVALUATION ASSETS

Total capitalised expenditures on exploration and evaluation assets as at 30 September 2019 were US\$195,399,826 compared to US\$177,481,872 at 30 June 2019. Exploration expenditure of US\$17,917,954 was incurred during the three months ended 30 September 2019 compared to US\$18,903,050 during the three months ended 30 September 2018. An impairment charge of US\$4,282 (2018: US\$30,072) was recognised for exploration expenditure associated with tenements that were surrendered or lapsed in the three-month period ended 30 September 2019.

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

| Projects                                    | Capitalised at<br>30 June 2019<br>US\$ | Capitalised during<br>period ending<br>30 September 2019<br>US\$ | Foreign<br>Exchange<br>impact during<br>period ending<br>30 September<br>2019 US\$ | Capitalised at<br>30 September<br>2019<br>US\$ |
|---|--|--|--|--|
| Cascabel project                            | 142,629,633                            | 14,568,602   | -  | 157,198,235                                    |
| Ecuador Regional<br>Exploration<br>projects | 25,191,622                             | 3,400,191  | -  | 28,591,813                                     |
| Queensland<br>projects                      | 9,605,324                              | 199,288  | (300,257)  | 9,504,355                                      |
| Solomon Island<br>projects                  | 55,293                                 | 52,790   | (2,658)  | 105,425  |
| <b>TOTAL</b>                                | <b>177,481,872</b>                     | <b>18,220,871</b>  | <b>(302,915)</b>   | <b>195,399,828</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 ENSA (Exploraciones Novomining S.A.) 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 three months ended 30 September 2019, the Company capitalised US\$14,568,602 on the Cascabel project.

SolGold drilling activities focused on activities supporting the Alpala Deposit Pre-Feasibility Study (PFS) while continuing to extend and upgrade the status of the Alpala Resource, and further drill testing of the Aguinaga prospect. Drill testing of the 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.

SolGold's current focus is the collection of additional metallurgical, and geotechnical hydrological, and hydrogeological data for the PFS and the delivery of a third mineral resource estimate (MRE#3). The conversion of most of the MRE#2 Inferred Resource into Indicated Resources has been a major objective of the drilling this year as it is the Indicated Resources that will be used as the basis for the PFS.

## CASCABEL PROJECT (ECUADOR) (CONTINUED)

Supplementary work underway at the Alpala Deposit includes geotechnical mining studies using downhole optical and acoustic Televiwer imaging, and rock-mechanics investigations using in-situ over-coring (3D stress testing), as well as in-situ measurement of rock mass permeability by packer testing.

A total of 11,170m of diamond drilling has been completed in this period and drilling is actively managed. As a consequence of drought conditions and in consideration of impacts on local waterways and as well as a cash management measure, drilling operations remain curtailed since September. . The hydrogeology drilling program continued through this period, with 4 boreholes completed of the 10-hole program.

Significant results encountered in this period include:

| Hole                 | Assays Copper Equivalent (CuEq)  |
|----------------------|--|
| <b>CSD-19-105</b>    | 50m@0.16% CuEq at 0.1 CutOff from 1792m  |
| <b>CSD-19-106</b>    | 712m@0.31% CuEq at 0.1 CutOff from 1652m including: <ul style="list-style-type: none"> <li>712m@0.31% CuEq at 0.1 CutOff from 1652m</li> <li>130m@0.39% CuEq at 0.2 CutOff from 1920m</li> <li>132m@0.31% CuEq at 0.2 CutOff from 2160m</li> </ul> |
| <b>CSD-19-106-D1</b> | 250m@0.43% CuEq at 0.1 CutOff from 1616m   |
| <b>CSD-19-110</b>    | 630m@0.22% CuEq at 0.1 CutOff from 1658m including: <ul style="list-style-type: none"> <li>142m@0.3% CuEq at 0.2 CutOff from 1936m</li> </ul>  |
| <b>CSD-19-111</b>    | 208m@0.15% CuEq at 0.1 CutOff from 990m  |
| <b>CSD-19-112</b>    | 254m@0.22% CuEq at 0.1 CutOff from 1336m including: <ul style="list-style-type: none"> <li>66m@0.34% CuEq at 0.2 CutOff from 1406m</li> </ul>  |

Table 1: Highlights of most significant drilling results at Alpala during this period. (Drill hole intercepts reported with up to 10m internal dilution, excluding bridging to a single sample. Copper equivalent grades are calculated using a gold conversion factor of 0.63, determined using an updated copper price of USD3.00/pound and an updated gold price of USD1300/ounce. True widths of down hole intersections are estimated to be approximately 25-70%.)

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

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

A study to develop the understanding of the stratigraphic and post mineral structural architecture and geometry of the Alpala deposit and greater Alpala district was undertaken during this period. The knowledge gained from the study supports ongoing exploration and drill targeting for both the Alpala deposit, and other targets in the Cascabel concession.

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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 72 mineral concessions over approximately 3,200 km<sup>2</sup>.

Based on the results of this initial exploration, 12 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 12 priority projects are as follows:

- Blanca
- La Hueca
- Porvenir
- Cisne Loja
- Timbara
- Rio Amarillo
- Chillanes
- Salinas
- Sharug
- Cisne Victoria
- Coangos
- Chical

The ongoing exploration program on these projects continues to focus on:

- Drill Testing targets
- Collection of geophysical data
- Mapping and geochemical sampling of new areas

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

### **Blanca Project**

#### **Project Overview**

|                  |   |
|------------------|---|
| Location:        | Carchi province, Northern Ecuador                         |
| Ownership:       | 100%  |
| Subsidiary:      | Carnegie Ridge Resources S.A                              |
| Tenement area:   | 2 concessions (Blanca and Nieves) over 73 km <sup>2</sup> |
| Primary Targets: | epithermal gold   |

The rich epithermal gold mineralisation has been identified within the Blanca concession is thought to be associated with large copper gold porphyry systems in the area including the Alpala deposit, some 8km to the south-southeast (SSE).

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 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.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**

High grade epithermal style gold mineralisation has been identified over an interpreted 5km long NW trending structural corridor. The Blanca epithermal gold veins are situated in a previously unrecognised corridor of gold mineralisation highlighting once again the under explored potential of the gold rich Ecuadorean section of the Andean copper-gold belt.

The first phase of the drilling program is designed to test high grade polymetallic gold-telluride veins within the Cielito Vein System, as well as gold-stockwork veining at the Cerro Quiroz Dome.

Cielito Vein Prospect

Hosted in volcanics and volcanic breccias showing weak quartz-pyrite-illite and chlorite-sericite alteration. Sampling of the intermediate sulphidation Cielito vein returned very high-grade gold mineralisation. The results include:

- R01000562: 617 g/t Au, 317g/t Ag, 0.59% Cu, 0.74% Zn
- R01000564: 542g/t Au, 254g/t Ag, 0.54% Cu, 0.50% Zn

Cielito Vein System is interpreted to represent multiple stacked gold lenses over 500m by 400m zone, and drilling is designed to intercept these lenses as well as potential sub-vertical bonanza style feeder zones. A total of 6 platforms have been approved for the Cielito area designed to facilitate up to 18 holes, subject to review of results.

Carnegie geologists have accessed underground artisanal workings and tunnels to sample the Cielito vein. The results of this sampling are outstanding with high grade gold along with significant silver and base metal results. Samples were taken over an area 270m by 150m of sulphide rich gold and base veins. These flat lying veins potentially form part of a larger porphyry related stacked vein system similar in style to the Buritica deposit (6.4M oz Au) in Columbia.

Best results received from the recent sampling program include:

- R01000676 540 g/t Au, 107 g/t Ag, 0.28% Cu, 351 ppm Te
- R01000677 545 g/t Au, 286 g/t Ag, 0.45% Cu, >500 ppm Te
- R01000678 392 g/t Au, 190 g/t Ag, 402 ppm Te
- R01000684 432 g/t Au, 159 g/t Ag, 438 ppm Te
- R01000698 378 g/t Au, 185 g/t Ag, >500 ppm Te
- R01000679 305 g/t Au, 135 g/t Ag, 382 ppm Te

Cerro Quiroz Dome is interpreted to represent an extensively silicified topographic dome containing gold-stockwork veining up to 6.8g/t gold over a 700m x 300m area. Currently 1 platform approved for drilling at Cerro Quiroz with another 6 platforms in application.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)****La Hueca Project**

## Project Overview

|                  |   |
|------------------|---|
| Location:        | Zamora Chinchipe province, Southern Ecuador |
| Ownership:       | 100%  |
| Subsidiary:      | Cruz del Sol S.A.                           |
| Tenement area:   | 3 concessions, 160 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:

- R02000263: 13.82% Cu
- R02000310: 8.37% Cu
- R02000259: 4.08% Cu
- R02000307: 2.50% Cu

**Target 6**

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:

- R02000802: 6.27% Cu, 0.29 g/t Au, 22.9 g/t Ag, >1% Mo;
- R02000785: 4.58% Cu, 0.13 g/t Au, 14.6 g/t Ag, 0.16% Mo;
- R02000768: 4.15% Cu, 0.24 g/t Au, 16.1 g/t Ag, 0.28% Mo; and
- R02000784: 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. Fathom Geophysics were commissioned to carryout 3D geochemical porphyry footprint modelling of soil data over Target 6. Fathom Geophysics also re-interpreted the existing aeromagnetic data covering Targets 1 – 5. The results of this work have been used to help design drill holes to test for porphyry mineralisation.

A drilling program has been designed that awaits permitting.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)****Porvenir Project**

## Project Overview

|                  |   |
|------------------|---|
| Location:        | Zamora Chinchipe province, Southern Ecuador |
| Ownership:       | 100%  |
| Subsidiary:      | Green Rock Resources S.A.                   |
| Tenement area:   | 244km <sup>2</sup>                          |
| Primary Targets: | Copper-gold porphyry                        |

The project is located in Southern Ecuador and 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).

The geology is characterised by a sequence of prospective intrusive porphyry bodies and regional geochemical sampling and detailed geological mapping has identified a north easterly zone over 6 km long and 1km wide in the northern part of the project area, hosting at last two significant mineralised porphyry centres believed to be the same age as the 85% SolGold owned Alpala deposit in Northern Ecuador.

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. This zone is interpreted to be genetically related to the intersection of deep-seated northwest and northeast trending deep crustal faults which have focused mineralising events.

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:

- R03000875: 8.65% Cu, 0.19g/t Au, 38.1g/t Ag
- R03000696: 6.64% Cu, 0.09g/t Au, 33.1g/t Ag
- R03000699: 5.10% Cu, 0.05g/t Au, 22.3g/t Ag
- R03000588: 4.27% Cu, 0.09g/t Au, 14.6g/t Ag

**Target 15**

Target 15 is located within Porvenir #2 concession, north of the town of La Canel in southern Ecuador.

The exposed outcrops along La Cacharposa Creek in Target 15 lie within soil copper, gold, molybdenum, Cu/Zn and Mo/Mn geochemical anomalies in a diorite, monzodiorite and quartz diorite porphyry complex that cover an area approximately 1200m long and 800m wide open ended. 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.

The Target 15 mineralised corridor is characterised by surface exposure of porphyry-style sheeted and stockwork B-type quartz-chalcopyrite-magnetite veining. Veining occurs as three steeply-dipping vein sets orientated northwest, east-northeast, and west-northwest

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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

Rock saw channel sampling across the exposed mineralisation along La Cacharposa Creek returned an open-ended intersection of:

- 62.4m @ 0.71 % Cu and 0.71 g/t Au (open-ended), including
  - 29.5m @ 1.01 % Cu and 0.89 g/t Au from 12.1 to 41.6m
- 147.83m @ 0.64% CuEq (0.43 g/t Au, 0.37% Cu) - open ended.
  - including 82.63m @ 0.96% CuEq (0.71 g/t Au, 0.55% Cu).

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

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.

Field studies of the porphyry-related vein types sequencing and genetic relationships at Target 15 are ongoing, and initial work indicates a sequential vein development typical of many significant porphyry deposits, such as SolGold's Alpala porphyry copper-gold deposit in Northern Ecuador (10.9Mt Cu, 23.2Moz Au).

An extended rock-saw channel sampling program continues to further expose mineralisation and determine the surface extent of mineralisation at Target 15.

Continued detailed Anaconda style mapping (as applied at Alpala) within Target 15 continues to identify new mineralised outcrops along nearby streams, displaying porphyry style B-type quartz veining and associated strong hydrothermal alteration assemblages.

A program of detailed ground magnetics was completed during the quarter covering the entire Target 15 area, along with an airborne-magnetic survey covering the entire Porvenir Project.

A drilling program has been designed that awaits permitting.

#### Mula Muerta Creek

The Mula Muerta Creek located on the opposing side of the ridge from the Cacharposa 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.

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### **ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**

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.

All licences have now been received for Scout drilling at Porvenir. Work on the Tarabita zipline (to carry equipment to different parts of the project) and the Target 15 camp is underway.

Green Rock teams continue mapping and sampling new areas in Porvenir and in concessions Nangaritza 1 and 2. Teams are following up anomalies from the recent heli-mag survey.

#### **Cisne Loja Project**

##### **Project Overview**

|                  |  |
|------------------|--|
| Location:        | Loja province, Southern Ecuador                  |
| Ownership:       | 100%   |
| Subsidiary:      | Green Rock Resources S.A.                        |
| Tenement area:   | 3 concessions, 146 km <sup>2</sup>               |
| Primary Targets: | Epithermal gold and silver, Porphyry copper gold |

The Cisne Loja project is located in the southern central region of Ecuador at the southern end of the Miocene Belt. It is very close to the Loma Largo deposit owned by INV metals. 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.

#### **Cuenca Loma**

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. This northern epithermal prospect is called Cuenca Loma.

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:

- R03000453: 15.25 g/t Au and 23.6g/t Ag

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**Celen Prospect

Celen Prospect is located 7km south of the Cuenca Loma in the El Cisne 2C concession.

Rock chip results received 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 Pyrite. Mineralisation has been identified over an area 1.5km by 1km. Significant results from rock chips include:

**Hector Stream**

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

**El Tio Stream**

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

**Mandarina Stream**

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

Activities planned for Cisne Loja project include:

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

Green Rock teams have continued to map and sample streams in the Celen Prospect that straddles the border between Cisne 2B and 2C. Whilst previously, copper mineralisation was restricted to secondary copper minerals coating fracture surfaces, a new area has been discovered showing primary mineralisation. Mineralised quartz magnetite veins are observed with occasional chalcopyrite. The host rock consists of granodiorite, quartz granodiorite and micro diorite. Of particular note are the high gold values. Gold grades are directly proportional to copper values and the highest grades both occur in the quartz magnetite veins. These magnetite rich outcrops are also rich in silver, molybdenum and barium with these anomalies extending at least 1km by 400m. The Celen project is a highly prospective Au-Cu-Mo porphyry target.

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## **ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**

### **Timbara Project**

#### Project Overview

|                  |  |
|------------------|--|
| Location:        | Zamora Chinchipe province, Southern Ecuador  |
| Ownership:       | 100%   |
| Subsidiary:      | 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   |

The Timbara Project is located in Ecuador's eastern Jurassic Belt which hosts the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara copper-gold porphyry deposit (8 million ounces Au). The concessions cover 151 km<sup>2</sup> and are owned by the Company's 100% owned subsidiary, Green Rock Resources.

Results from rock chip samples collected during stream reconnaissance programs at Timbara include:

- R03000252: 28.89% Cu, >100g/t Ag
- R03000260: 4.00% Cu, >100g/t Ag
- R03000219: 2.94% Cu
- R03000236: 2.32% Cu

The location and orientation of mineralised veins may represent a continuation of the highly prospective porphyry corridor identified at SolGold's La Hueca Project.

Teams have carried out detailed infill of stream sediment, panned concentrate and rock chip sampling in areas identified as anomalous from earlier regional geochemistry.

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 continued detailed Anaconda mapping and rock chip sampling of the anomalous areas.

#### **Timbara 1 Prospect**

Outcropping porphyry style mineralisation occurs as northeast trending narrow quartz veins containing pyrite, chalcopyrite, covellite and bornite hosted within granodiorite intrusive.

#### **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.

#### **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.

Teams from Valle Rico are currently conducting ridge and spur soil sampling, following up streams and rock sample anomalies in Timbara 2.

Three samples have returned significant gold values between 0.2 and 2.9 g/t Au and correlates with high bismuth. The location of this soil traverse is parallel to the structures hosting the Pituca mine in the excision. Mineralisation in the mine is structurally hosted and similar structures are mapped in the zone of gold anomalism.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)****Rio Amarillo Project**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | Imbabura province, Northern Ecuador                        |
| Ownership:       | 100%   |
| Subsidiary:      | Carnegie Ridge Resources S.A.                              |
| Tenement Area:   | 3 concessions (Rio Amarillo 1, 2 & 3), 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 Amarillo 1 & 2; Chilanes and the Pugaran prospects. The main geological feature of the Rio Amarillo project is the extensive lithocap extending 2km by 2.4km in area.

**Chilanes Prospect**

Chilanes located in Rio Amarillo 2, 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. At the Chilanes prospect, located proximal to the lithocap, B type veins have been mapped and sampled. An outcrop of stockwork B type veins has been identified hosted in a dark micro diorite - quartz diorite with the matrix altered to magnetite and chlorite, with best rock chip results including:

- R01000025 0.93 g/t Au, 0.18% Cu, 11.85ppm Mo
- R01000026 0.90 g/t Au, 0.01% Cu, 13.75 ppm Mo
- R01000029 0.51 g/t Au, 0.13% Cu, 10.35 ppm Mo

**Pugaran Prospect**

Located in Rio Amarillo 1, 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, chalcocopyrite, chalcocite and bornite. K-alteration overprinted by phyllic alteration.

- 140m @ 0.24% Cu
  - Including 13m @ 0.65% Cu
  - Including 12m @ 0.38% Cu

**Cuambo Prospect**

Located in Rio Amarillo 2, Cuambo prospect is located distal to the lithocap with epithermal vein mineralisation identified.

- R01001018 11.3 g/t Au
- R01001019 1.85 g/t Au

**Pasquel Prospect**

Located in Rio Amarillo 2, Cuambo prospect is located distal to the lithocap with epithermal vein mineralisation identified.

- R01001290 13.35 g/t Au
- R01001294 3.00 g/t Au
- R01001295 2.45 g/t Au

The epithermal veining at Cuambo and Pasquel prospects are possibly associated with a deeper porphyry system that is responsible for the advanced argillic alteration forming the lithocap.

Auger soil programs were completed during the year 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.

A drilling program has been designed that awaits permitting.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)****Chillanes Project**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | Bolivar/Chimborazo province, Central Ecuador |
| Ownership:       | 100%   |
| Subsidiary:      | 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.

**Salinas Project**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | Bolivar province, Southwest Ecuador                        |
| Ownership:       | 100%   |
| Subsidiary:      | Valle Rico Resources S.A.                                  |
| Tenement Area:   | 4 concessions (Salinas 1, 2, 3 and 4), 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.

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. Initial exploration work will commence at Salinas 3 and 4 and access is expected to be granted shortly for Salinas 1 and 2 concessions.

## ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)

### Sharug Project

#### Project Overview

|                  |                                   |
|------------------|-----------------------------------|
| Location:        | Azuy province, Southwest Ecuador  |
| Ownership:       | 100%                              |
| Subsidiary:      | 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. Two prospects have been identified, the Quillosisa epithermal prospect and the Santa Martha porphyry prospect.

A gridded soil program at Sharug was completed that covered both the Quillosisa and Santa Marta prospects that confirmed anomalous mineralisation at both prospects.

### Quillosisa Prospect

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.

**Table 1: Significant Results from the Quillosisa Prospect**

| Sample ID | easting | northing | elevation | Au_gt | Ag_ppm | Cu_ppm | Pb_ppm | Zn_ppm |
|-----------|---------|----------|-----------|-------|--------|--------|--------|--------|
| R03001156 | 664409  | 9638870  | 1815      | 39.6  | >100   | 81     | 1130   | 93     |
| R03000159 | 663958  | 9638913  | 1576      | 7.4   | 7.12   | 154    | 159.5  | 353    |
| R03001157 | 664416  | 9638903  | 1823      | 2.93  | >100   | 189    | 731    | 141    |
| R03001169 | 664688  | 9639219  | 1879      | 2.52  | 6.41   | 156    | 1745   | 90     |
| R03001194 | 664403  | 9638958  | 1851      | 2.15  | 98.3   | 372    | 3470   | 164    |
| R03001195 | 664643  | 9639167  | 1879      | 1.865 | 17.25  | 432    | 298    | 395    |
| R03001171 | 664635  | 9639259  | 1905      | 1.775 | 17.6   | 368    | 845    | 408    |
| R03001203 | 664558  | 9638269  | 1421      | 1.125 | >100   | 22960  | >10000 | 3310   |

### Santa Martha Prospect

Continued field mapping along the identified structural corridor has now discovered a significant copper gold molybdenum porphyry target called Santa Martha. Highly anomalous rock values followed by strong auger soil anomalies show this target covers an area 1.2km by 0.5km and remains open to the east. Auger soils were unable to test the eastern flank of the anomaly due to a drainage system comprising colluvial material.

The Santa Martha prospect consists of diorite, quartz diorite and small zones of tourmaline breccia. Hydrothermal alteration comprises zones of biotite-sericite, quartz-sericite, chlorite, chlorite-epidote and sericite alteration.

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)

Table 2 Significant results from rock chip sampling at Santa Martha

| Sample ID | easting | northing | elevation | Cu % | Au g/t | Mo_ppm |
|-----------|---------|----------|-----------|------|--------|--------|
| R03001043 | 663071  | 9636625  | 1087      | 2.52 | 0.15   | 491.00 |
| R03001045 | 662921  | 9636654  | 1126      | 0.78 | 0.51   | 6.35   |
| R03001044 | 662950  | 9636668  | 115       | 0.73 | 0.33   | 53.70  |
| R03001052 | 662932  | 9636671  | 1122      | 0.60 | 0.56   | 84.20  |
| R03000168 | 662908  | 9636607  | 1149      | 0.56 | 0.20   | 13.80  |
| R03001046 | 662829  | 9636695  | 1150      | 0.33 | 0.01   | 2.42   |

A ground magnetics geophysical program was completed covering both the Quillosisa and Santa Martha prospects. This program has highlighted an area of magnetite destruction over the Santa Martha prospect.

A drilling program has been designed at both the Quillosisa and Santa Martha prospects that awaits permitting.

### Cisne Victoria Project

#### Project Overview

Location: Morana Santiago province, South-eastern Ecuador  
 Ownership: 100%  
 Subsidiary: Cruz del Sol S.A.  
 Tenement Area: 170 km<sup>2</sup>  
 Primary Targets: Copper-gold porphyry

The project lies in south-eastern Ecuador 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 were 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.

### Coangos Project

#### Project Overview

Location: Morana Santiago province, south-eastern Ecuador  
 Ownership: 100%  
 Subsidiary: Cruz Del Sol S.A.  
 Tenement Area: 7 tenements (Coangos 1, Coangos 2, Chimius 1, Chimius 2, Chimius 3, Cisneros, Tsapa) 259 km<sup>2</sup>  
 Primary Targets: Porphyry & Epithermal Copper-gold

The Coangos Project is located on the Southern Jurassic aged belt in Ecuador, which hosts the Fruta del Norte, Mirador and other projects in Ecuador.

Cruz del Sol teams have discovered two areas of mineralised outcrops in the Coangos project, characterised by strong copper-carbonates and copper-oxides exposed mainly in fractures.

#### Anomaly 1

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. Stream outcrops are up to 120m in length.

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**ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**

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 occurs 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, 0.98% Zn
- R02001011 20.6% Cu, 114g/t Ag
- R02001012 13.5% Cu, 90.4 g/t Ag

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 have been identified that have corresponding high grades.

#### Anomaly 2

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 1.5m wide 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 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 and 2 helped further delineate the Anomaly 1 and 2 prospects.

#### **Chical Project**

##### Project Overview

|                  |   |
|------------------|---|
| Location:        | Carchi province, Northern Ecuador                     |
| Ownership:       | 100%  |
| Subsidiary:      | Carnegie Ridge Resources S.A.                         |
| Tenement Area:   | 4 tenements (Chical 1, 2,3 and 4) 183 km <sup>2</sup> |
| Primary Targets: | Epithermal Copper-gold                                |

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.

## **ECUADOR REGIONAL EXPLORATION PROJECTS (CONTINUED)**

Mineralisation is associated with an extensive contact zone between intrusive granodiorite and gabbro with volcano-sedimentary units. It is related to epithermal stockwork quartz veining with density of 10 to 15 per metre with associated strong chlorite-sericite-epidote hydrothermal alteration.

### Pascal and Espinoza Prospects

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

### La Esperanza Prospect

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

## **AUSTRALIA**

In Queensland, Australia, the Company has identified the following 6 major project areas:

- Rannes
- Mount Perry
- Normanby
- Westwood
- Mt Pring
- Cracow West

SolGold continues to hold tenements across central and southeast Queensland, through its wholly owned subsidiaries, Central Minerals Pty Ltd and Acapulco Mining Pty Ltd. Central Minerals Pty Ltd currently holds 5 exploration permits: EPM 25300 (Cooper Consolidated, Rannes Project); EPM 18760 (Westwood); EPM 18032 (Cracow West); EPM 27211 (Mt Pring); and EPM 19639 (Goovigen Consolidated). Acapulco Mining Pty Ltd currently holds exploration permits at EPM 25245 (Mount Perry) and EPM 19410 (Normanby).

### **Rannes Project (EPM 25300)**

#### Project Overview

|                  |  |
|------------------|--|
| Location:        | 140 km west of Gladstone, Queensland, Australia                    |
| Ownership:       | 100%   |
| Subsidiary:      | Central Minerals Pty Ltd   |
| Tenement Area:   | 126 granted sub-blocks (circa 403km <sup>2</sup> )                 |
| Primary Targets: | Disseminated and vein-hosted low sulphidation gold-silver deposits |

## AUSTRALIA (CONTINUED)

Located, 140 km west of Gladstone (Queensland, Australia), SolGold's principal targets at the Rannes project are structurally-controlled, low-sulphidation epithermal gold-silver deposits. Thirteen prospects have been identified within the Permian-aged Camboon Volcanics, with the majority lying along north-northwest trending fault zones. Exploration has included tenement wide stream sediment, soil and rock chip sampling surveys. A detailed airborne magnetic survey was recently re-interpreted to enhance the development of the structural model of the belt. Exploration methods have included a 3D IP survey, detailed airborne magnetics, geological mapping, and trenching all contributing to definition of additional drill targets at several prospects.

During the year ended 30 June 2019, a variable time airborne electromagnetic survey (VTEM) was completed during the reporting period (100 line km's, 126km<sup>2</sup>) and identified several conductive anomalies located both below the depth of drilling at the Crunchie and Kauffman's prospects as well as larger anomalies along strike in areas that have no historic drilling. Preliminary 3DEM inversion modelling has resolved conductivities/resistivities down to 10 Ohm-m's and are considered prospective.

Mineral resource estimates completed by Hellman & Schofield Pty Ltd and by H&S Consulting Pty Ltd includes resources in both Indicated and Inferred categories for reporting under the Australasian Joint Ore Reserves Committee's "Code for Reporting of Mineral Resources and Ore Reserves". The table below lists the current mineral resource estimates at the Kauffman's, Crunchie, Cracklin' Rosie, Porcupine and Brother prospects as of May 23, 2012. These estimates are based on gold to silver ratio of 1:50 and a 0.5 g/t Au equivalent cut-off. The resource at 0.3 g/t Au cut-off was announced on May 23, 2012.

**Table 3 - Reported Reserves and Resources by Hellman and Schofield Pty Ltd and H&S Consulting Pty Ltd**

| Prospect                     | Cut-Off (Au.Eq) | Resource Category | M.Tonnes     | Au (g/t)    | Ag (g/t)     | Ounces (Au)    | Ounces (Ag)      | Ounces (Au.Eq) |
|------------------------------|-----------------|-------------------|--------------|-------------|--------------|----------------|------------------|----------------|
| Kauffman's                   | 0.5             | Indicated         | 1.58         | 0.79        | 10.30        | 40,304         | 522,074          | 50,729         |
|                              |                 | Inferred          | 3.49         | 0.74        | 8.90         | 83,060         | 999,278          | 103,092        |
| Crunchie                     | 1.5             | Indicated         | 2.40         | 0.46        | 42.40        | 35,833         | 3,310,000        | 102,100        |
|                              |                 | Inferred          | 3.20         | 0.49        | 39.80        | 49,797         | 4,040,000        | 130,676        |
| Cracklin' Rosie              | 0.5             | Inferred          | 0.43         | 0.59        | 5.60         | 8,023          | 76,145           | 9,544          |
| Porcupine                    | 0.5             | Inferred          | 0.57         | 0.50        | 7.50         | 9,202          | 137,085          | 11,941         |
| Brother                      | 0.5             | Inferred          | 0.57         | 0.60        | 1.10         | 11,021         | 20,490           | 11,434         |
| <b>Total (All Prospects)</b> |                 |                   | <b>12.24</b> | <b>0.63</b> | <b>23.18</b> | <b>237,240</b> | <b>9,105,072</b> | <b>419,516</b> |

Exploration activities completed during this period include:

- 3D VTEM – Resistivity and Magnetic Vector Inversion modelling was completed on the 2018 Rannes VTEM dataset and resulted in the modelling of seven high priority conductors. Drilling is scheduled to target up to four of the highest priority targets in 2020.

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**AUSTRALIA (CONTINUED)****Mount Perry Project (EPM 25245)**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | 130 km northwest of Gympie, Queensland, Australia                  |
| Ownership:       | 100%   |
| Subsidiary:      | Acapulco Mining Pty Ltd.   |
| Tenement Area:   | 64 granted sub-blocks (circa 205km <sup>2</sup> )                  |
| Primary Targets: | High grade, lode gold deposits and possible gold porphyry deposits |

The Mount Perry mineral field is located approximately 100 km southwest of Bundaberg (Queensland, Australia) and comprises epithermal to mesothermal veins that cluster around mineralized porphyry intrusions and associated breccia bodies. The project is located approximately 25km northwest of Evolution Mining's 2Moz Mt Rawdon breccia-hosted epithermal gold deposit.

Assays were received for two RC water bores (NMN016, NMN017, total 59m) and two diamond holes (NMN018, NMN019, total 567.4 m). Drilling identified mineralization consistent with and indicative of a porphyry system, however, assay results were disappointing and lacked gold within the system core assemblage (best intercept 76m @ 0.09% Cu, 0.97 g/t Ag from 110m, NMN018).

A comprehensive assessment of the project has identified the Upper Chinaman's Creek prospects as the highest priority high-grade opportunity. Work in the upcoming reporting period will include 3DEM inversion modelling and potentially a 3D IP survey (3.7 x 1.5km) that will help define key mineralized structures and allow prioritization of drill hole targets.

During this period, drillhole data from the Upper Chinaman's Creek epithermal vein system was reviewed and preliminary plans have been finalized for a 3 x 1km, 50m line-spacing Gradient Array / Pole-Dipole IP survey which is intended to be completed in the next quarter (subject to land access and weather conditions).

**Normanby Project (EPM 19410)**

## Project Overview

|                  |   |
|------------------|---|
| Location:        | 120 km northwest of Mackay, Queensland, Australia                             |
| Ownership:       | 100%  |
| Subsidiary:      | Acapulco Mining Pty Ltd.  |
| Tenement Area:   | 60 granted sub-blocks (circa 192 km <sup>2</sup> )                            |
| Primary Targets: | Intrusion-related epithermal gold veins and potential porphyry Cu-Au deposits |

The Normanby Goldfield comprises over 300 historic pits and shafts located within 14 prospects along an 8km structural zone. Gold-bearing quartz veins are hosted almost exclusively in the Shannon Vale Gabbro within a complex left-lateral dilation zone.

Work completed during the reporting period included

- A 1:30,000 scale litho-structural photo interpretation for the entire tenement has been completed to provide greater definition and certain for future exploration drilling targets.
- 329 soil samples were collected on a 100 x 50m grid to extend the soil grid 1.8km immediately west of confirmed mineralized gold veins at the Rosebud/Black Snake prospect near Mt Flat Top. The survey was designed to cover a magnetic high anomaly in an area of known alluvial gold nuggets. Results are pending.
- 5 rock chip and 6 stream sediment samples were collected from the Mt Crompton breccia prospect along with reconnaissance mapping. Access to the breccia was compromised by rugged terrain and initial observations indicate a limited scale to mineralization within the breccia.

---

**AUSTRALIA (CONTINUED)****Westwood Project (EPM 18760)**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | 45 km west-southwest of Rockhampton, Queensland, Australia |
| Ownership:       | 100%   |
| Subsidiary:      | Central Minerals Pty Ltd.                                  |
| Tenement Area:   | 16 granted sub-blocks (circa 45km <sup>2</sup> )           |
| Primary Targets: | Ultramafic layered intrusion Pd-Au-Cu-Pt deposits          |

Palladium-Gold-Copper ± Platinum mineralization at the Westwood project is associated with the Late Permian – Early Jurassic aged Bucknall mafic-ultramafic layered gabbro intrusive complex.

The Company's exploration has included stream sediment, soil and rock chip sampling and RC / Diamond drilling. Metal anomalism is focused in the southeast part of the gabbro and is defined by a 2km strike of sporadic soil anomalism (+125ppb Pd, +46ppb Au, +490ppm Cu, +27ppb Pt).

Reverse circulation and diamond drilling in 2018 (WWD001 – WWD004, 713.7m) focused in the far southeast of the complex and identified a number of highly anomalous zones of magmatic sulphide concentration including 44m @ 1g/t combined PGE, 0.11% Cu from 8m (WWD001) and 38m @ 0.27ppm combined PGE, 0.1% Cu from 22m (WWD004).

Drilling in early 2019 targeted lateral extension to known mineralization and untested magnetic and electromagnetic anomalies in the northern limits of the complex. RC pre-collar assays include 46m @ 0.217 g/t Au, 0.157 g/t Pd, 0.13% Cu from 0m (WWD008) and 28m @ 0.176 g/t Pd from 2m (WWD010). Disseminated sulphide mineralization (up to 5%) was identified in two drill holes adjacent to 2018 intercepts (WWD009, WWD010).

Exploration activities during the reporting period include:

- Assay results were received for the 8-hole, 678.1m RC/DD drill program completed in May/June 2019. Drilling was designed to follow-up initial success at the Magdalene and Magda One prospects in the 2018 drill program.
- Drilling confirmed the presence of magmatic PGE-Cu sulphides in multiple holes and extended known mineralization 50m southwest at Magdalene and 75m to the northwest at Magda One prospect.
- Site and drill pad rehabilitation was completed for the eight-hole program in August.

**Mt Pring Project (EPM 27211)**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | 65 km northwest of Proserpine, Queensland, Australia |
| Ownership:       | 100%   |
| Subsidiary:      | Central Minerals Pty Ltd.                            |
| Tenement Area:   | 40 granted sub-blocks (circa 120km <sup>2</sup> )    |
| Primary Targets: | Magmatic Ni-Cu-PGE sulphide deposits                 |

The Mt Pring Project is located within the east-northeast trending Mt Carlton structural zone, approximately 60km east of Evolution Mining's Mt Carlton high-sulphidation Au-Ag deposit. The project hosts several, poorly-explored ultramafic intrusive complexes that historically have never been assayed for gold or platinum group elements. Historical exploration is limited to Ni-Cu stream sediment sampling by WMC in the late 1970's and limited Ni-Cu soil sampling in the late 1980's. Soil sampling at Mt Pring defined a 700 x 350m, +1,000ppm Ni anomaly that has not been followed up with more advanced exploration.

Exploration within the first reporting period will include tenement-wide photo-structural interpretation, stream sediment sampling followed by mapping and soil sampling of identified targets.

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**AUSTRALIA (CONTINUED)****Cracow West Project (EPM 18032)**

## Project Overview

|                  |  |
|------------------|--|
| Location:        | 260 km west-northwest of Gympie, Queensland, Australia |
| Ownership:       | 100%   |
| Subsidiary:      | Central Minerals Pty Ltd.                              |
| Tenement Area:   | 12 granted sub-blocks (circa 38km <sup>2</sup> )       |
| Primary Targets: | Low-sulphidation epithermal Au-Ag deposits             |

Gold mineralization at the Cracow mine is associated with Permian-aged, low-sulphidation, epithermal quartz veins which have been emplaced along northwest and north-northwest trending fault zones. The Company's initial exploration concept was to explore for a similar deposit to Cracow gold mine, but a recent review of the regional geology suggests that the anomalism seen at Cracow West may be associated with a later phase of Triassic intrusions, suggesting a later mineralization event.

The Company's exploration at Cracow West has included stream sediment, soil and rock chip sampling. This has identified three significant prospects: Dawson Park, Kambrook and Theodore Bends. A sub-audio magnetotellurics survey was completed over the Kambrook and Dawson Park prospect which identified a potential buried target at the Dawson Park prospect, which coincides with a distinct soil tellurium anomaly at surface.

EPM 18032 was renewed for a further 3 years (to 10<sup>th</sup> December 2020) and future work will include a re-interpretation of the geophysical and structural dataset with specific focus on identifying high-priority targets within the Dawson park, Kambrook and Theodore Bends prospects.



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## **SOLOMON ISLANDS**

The Kuma tenement in the Solomon Islands (South West Pacific) is considered by SolGold to be highly prospective for porphyry copper gold and epithermal gold deposits.

### **Kuma Project**

#### **Project Overview**

Location: 37km South-east of Honiara on the island of Guadalcanal  
Ownership: 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 arc parallel 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.

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.

Geological reconnaissance surveys and mapping was conducted at Kuma in June. Activities focused on the Kuma and Alimuno Rivers where large red boulders were discovered in the 1990s. Low temperature quartz veins with comb textures were observed in outcrop. Surface alteration, geochemistry, and Terraspec results have been encouraging. Further work is planned to test the high sulfidation Kuma prospect that focuses on the upper part of Kuma ridges and a drilling program is planned for 2020.

#### QUALIFIED PERSON:

Information in this report relating to the exploration results is based on data reviewed by Mr Jason Ward ((CP) B.Sc. Geol.), Exploration Manager Global of the Company. Mr Ward is a Fellow of the Australasian Institute of Mining and Metallurgy, holds the designation MAusIMM (CP), and has in excess of 20 years' experience in mineral exploration and is a Qualified Person for the purposes of the relevant LSE and TSX Rules. Mr Ward consents to the inclusion of the information in the form and context in which it appears.

#### 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 30 September 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 30 September 2019 and 2018.

|                                       | Cascabel project  |                   | Ecuador Regional Exploration projects |                   | Queensland projects |                   | Solomon projects  |                   | Total             |                   |
|---------------------------------------|-------------------|-------------------|---------------------------------------|-------------------|---------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Exploration Expenditures              | Sep'19 (US\$'000) | Sep'18 (US\$'000) | Sep'19 (US\$'000)                     | Sep'18 (US\$'000) | Sep'19 (A\$'000)    | Sep'18 (US\$'000) | Sep'19 (US\$'000) | Sep'18 (US\$'000) | Sep'19 (US\$'000) | Sep'18 (US\$'000) |
| <b>Balance, beginning of period</b>   | 142,630           | 84,011            | 25,192                                | 12,474            | 9,605               | 9,739             | 55                | -                 | 177,482           | 106,224           |
| License fee                           | -                 | -                 | -                                     | -                 | 13                  | 9                 | -                 | -                 | 13                | 9                 |
| Assays and geochemistry               | 377               | 279               | 73                                    | 58                | 16                  | 11                | 4                 | -                 | 470               | 348               |
| Camp costs                            | 1,074             | 4                 | 21                                    | 1                 | -                   | 8                 | -                 | -                 | 1,095             | 13                |
| Drilling                              | 7,982             | 10,293            | 915                                   | 136               | 136                 | 70                | -                 | -                 | 9,033             | 10,499            |
| Geophysics                            | -                 | 5                 | -                                     | 10                | -                   | -                 | -                 | -                 | -                 | 15                |
| Community                             | 1,553             | 1,548             | 431                                   | 185               | -                   | -                 | -                 | -                 | 1,984             | 1,733             |
| Salaries and labour                   | 1,499             | 1,285             | 1,574                                 | 1,007             | 24                  | 25                | 46                | -                 | 3,143             | 2,317             |
| Environment                           | 215               | 103               | 95                                    | 6                 | -                   | -                 | -                 | -                 | 310               | 109               |
| PEA                                   | 163               | -                 | -                                     | -                 | -                   | -                 | -                 | -                 | 163               | -                 |
| PFS                                   | 248               | -                 | -                                     | -                 | -                   | -                 | -                 | -                 | 248               | -                 |
| Other                                 | 1,457             | 1,449             | 296                                   | 366               | 10                  | 27                | 3                 | -                 | 1,766             | 1,842             |
| <b>Total exploration expenditures</b> | <b>157,198</b>    | <b>98,977</b>     | <b>28,597</b>                         | <b>14,243</b>     | <b>9,804</b>        | <b>9,889</b>      | <b>108</b>        | <b>-</b>          | <b>195,707</b>    | <b>123,109</b>    |
| Mineral properties abandoned          | -                 | -                 | (5)                                   | -                 | 1                   | -                 | -                 | -                 | (4)               | -                 |
| Foreign exchange adjustment           | -                 | (551)             | -                                     | (18)              | (300)               | (311)             | (3)               | -                 | (303)             | (880)             |
| <b>Balance, end of period</b>         | <b>157,198</b>    | <b>98,426</b>     | <b>28,592</b>                         | <b>14,225</b>     | <b>9,505</b>        | <b>9,578</b>      | <b>105</b>        | <b>-</b>          | <b>195,400</b>    | <b>122,229</b>    |

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## **EXPLORATION OUTLOOK**

The focus of the Company during the financial year ending 30 June 2020 will be to advance the Cascabel project in Ecuador through ongoing exploration, resource extension and (as part of the pre-feasibility study) determine reserves. Key outputs during this period will be an updated mineral resource estimate (MRE#3), and completion of a NI 43-101 technical report for the Pre-feasibility study.

Regional Exploration will continue reconnaissance field mapping, soil and rock chip sampling programs, and geophysics surveys, and continue drilling programs (as permits allow) as well as evaluating several mineralised outcropping targets over the 72 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 intersections of mineralised tonalite and granodiorite intrusions at Trivinio.

Initial results of internal modelling updates at the Alpala Deposit suggest that an MRE update planned for release in December could deliver significant resource growth, and the conversion of a large amount of tonnage into the Indicated category. The MRE update (MRE#2) validated a far more robust high-grade core, and an additional, (much shallower) second high-grade "western lobe" extension to the high-grade core. The next planned Mineral Resource Estimate update (MRE#3) is expected to convert a significant amount of inferred resources to indicated.

Major milestones for the Cascabel project completed to date include:

- MRE#1 on 3 January, 2018
- MRE#2 on 4 January, 2019
- Preliminary Economic Assessment (PEA – NI 43-101) June 26

Planned milestones for the coming reporting periods include:

- MRE#3 December 2019
- Pre-feasibility study (PFS) early 2020

The next phase of development of the Cascabel project will continue to focus on Feasibility activities (Prefeasibility study, and Feasibility study) phase requirements.

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.

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**Ecuador Regional Exploration Projects**

The primary focus of Regional Exploration in the coming three months will be continued drilling at Blanca, and commencement of drilling programs at Porvenir and La Hueca the coming months. As well as drilling, SolGold will continue 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 have been built in the Porvenir area, with a view to future drilling programs and Environmental and Social teams continuing work on the requirements for drill permitting on the other priority projects.

**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 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 drill program has been planned for Kuma Prospect, expected to commence in early 2020.

### Additional Disclosure for Issuers without Significant Revenue (Continued)

The table below sets out a summary of the completed activities and expenditures as at and for the quarter ended 30 September 2019. The table below also sets out the Company's plans for its projects and the planned expenditures for each of its projects to the year ended 30 June 2020. The table below includes forward-looking information and readers are encouraged to refer to "Forward Looking Statements":

| Property                                     | Summary of Completed Activities (1 July 2019 – 30 September 2019)  | Expenditures (Quarter ended 30 September 2019) US\$ | Plans for the Property <sup>(1)</sup>  | Planned Expenditures <sup>(1)</sup> US\$ |
|--|--|---|--|--|
| <b>Cascabel project</b>                      | <ul style="list-style-type: none"> <li>• 11170.6m drilled</li> <li>• 3D modelling of Alpala deposit</li> <li>• Hydrogeological drilling for monitoring program</li> <li>• Geotechnical testing (testing: insitu stress, packer, UCS),</li> <li>• Structural study of Alpala and the Alpala district</li> <li>• Metallurgical sampling and testing</li> <li>• Geological mapping</li> <li>• Land acquisitions</li> <li>• Community initiatives</li> </ul> | US\$14.6 million                                    | Financial year ending 30 June 2020 <ul style="list-style-type: none"> <li>• Drilling untested targets at Cascabel</li> <li>• MRE Update (MRE#3)</li> <li>• Land acquisitions</li> <li>• Pre-feasibility study (including Mineral Reserves report)</li> </ul> | US\$70.8 million                         |
| <b>Ecuador Regional Exploration projects</b> | <ul style="list-style-type: none"> <li>• Development of 12 priority targets</li> <li>• Exploration reconnaissance including mapping, soils and rock chips</li> <li>• Community engagement</li> </ul>   | US\$3.4 million                                     | Financial year ending 30 June 2020: <ul style="list-style-type: none"> <li>• Continued exploration reconnaissance</li> <li>• Scout drilling on high priority targets</li> <li>• Further target generation</li> <li>• Community engagement</li> </ul>         | US\$9.3 million                          |
| <b>Queensland projects</b>                   | <ul style="list-style-type: none"> <li>• Lithological and structural interpretation</li> <li>• Target identification</li> <li>• Site and drill pad rehab</li> <li>• Geophysics modelling</li> </ul>  | US\$200k  | Financial year ending 30 June 2020: <ul style="list-style-type: none"> <li>• Exploration reconnaissance</li> <li>• IP Survey</li> <li>• Drilling target assessment</li> <li>• Drilling</li> </ul>  | US\$771k                                 |
| <b>Solomon Island projects</b>               | <ul style="list-style-type: none"> <li>• Geological Mapping and field verification of drill target at Kuma Prospect</li> </ul>   | US\$53k   | Financial year ending 30 June 2020: <ul style="list-style-type: none"> <li>• Land access and negotiations</li> <li>• Drill program</li> </ul>  | US\$240k                                 |

Notes:

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

### **LIQUIDITY AND CAPITAL RESOURCES**

At 30 September 2019 the Company had cash and cash deposits of US\$16,506,686, a decrease of US\$25,239,514 from US\$41,746,200 as at 30 June 2019.

Cash expenditure (before financing activities) for the three months ended 30 September 2019 was US\$25,781,205 (2018: US\$21,120,446). During the three months ended 30 September 2019, cash of US\$nil (2018: US\$nil) was received. Accordingly, the net cash outflow of the Company for the three-month period ended 30 September 2019 was US\$25,781,205 (2018: outflow of US\$21,120,446).

Cash of US\$21,234,400 (2018: US\$17,868,666) was invested by the Company on exploration expenditure during the three-month period ended 30 September 2019.

### **LIQUIDITY OUTLOOK**

|                                   | For the period ending |                   |
|-----------------------------------|-----------------------|-------------------|
|                                   | 30 September 2019     | 30 June 2019      |
|                                   | US\$                  | US\$              |
| Cash and cash equivalents         | 16,506,686            | 41,746,200        |
| Other receivables and prepayments | 6,830,298             | 2,891,326         |
| Trade and other payables          | (6,043,365)           | (6,514,591)       |
| <b>Net working capital</b>        | <b>17,293,619</b>     | <b>38,122,935</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 2019), such commitments amount to US\$6,615,855 and US\$12,990,623 over the next 12 months and 13 month to 5-year period, respectively.

The Company will need to secure further finance either through other debt finance arrangements or equity raisings to meet its 12 month exploration commitments. The Company is in late stage negotiations on a number of strategic financing options. In the event that the Company is unable to secure further finance either through other finance arrangements or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries.

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 3,518,715,233 ordinary shares at 30 September 2019 of which 1,846,321,033 were outstanding at 30 September 2019. The Company had 1,846,321,033 ordinary shares outstanding at the date of the report, 14 November 2019. At 30 September 2019 the Company had outstanding options to purchase an aggregate of 163,412,000 ordinary shares with exercise prices ranging from £0.40 to £0.60 per share and expiry dates ranging from 4 July 2020 and 20 December 2021. At the date of the report, 14 November 2019, the Company had outstanding options to purchase an aggregate of 163,412,000 ordinary shares with exercise prices ranging from £0.40 to £0.60 per share and expiry dates ranging from 4 July 2020 and 20 December 2021.

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**CONTINGENCIES**

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US\$4 million. Fifty percent (50%) of the royalty can be purchased for US\$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US\$3 million 90 days following a production decision. The smelter royalty is considered to be a contingent liability as the Group has not yet completed a pre-feasibility study at 30 September 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 the 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 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 30 September 2019 was US\$27,332,742 (2018: US\$14,776,449). As there is uncertainty as to whether ENSA will be able to distribute earnings or dividends, a provision for impairment has been recognised on the entire amount receivable from CESA.

There are no other contingent assets or liabilities at 30 September 2019.

**TRANSACTIONS WITH RELATED PARTIES**

Transactions with related parties are disclosed in Note 9 to the 30 September 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 three-month period ended 30 September 2019 with comparative figures for the three months ended 30 September 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 three-month period ended 30 September 2019 US\$101,930 was paid or payable to Samuel (2018: US\$73,160). The total amount outstanding at 30 September 2019 was US\$37,118 (30 September 2018: US\$ nil, 30 June 2019: US\$925).

The Company has a long-standing commercial arrangement with DGR Global Ltd, an entity associated with Nicholas Mather (a Director) and Brian Moller (a Director), for the provision of various services, whereby DGR Global provides resources and services including the provisions of its administration and exploration staff, 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 US\$61,532 (2018: US\$65,844) for the provision of administration, management and office facilities to the Company during the three months ended 30 September 2019. The total amount outstanding at 30 September 2019 is US\$4,797 (30 September 2018: US\$ nil, 30 June 2019 US\$15,788).

Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. For the three months ended 30 September 2019, US\$43,196 was paid or payable to Hopgood Ganim (2018: US\$158,324) for the provision of legal services to the Company. These services were based on normal commercial terms and conditions. The total amount outstanding at 30 September 2019 is US\$7,700 (30 September 2018: US\$3,194, 30 June 2019 US\$nil).

Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the three months ended 30 September 2019, US\$386,569 was paid or payable to Bennett Jones (2018: US\$34,168) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at 30 September 2019 is US\$339,114 (30 September 2018: US\$ nil, 30 June 2019 US\$ nil).

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 30 September 2019 and 2018 are as follows:

|   | Basic Annual<br>Salary<br>US\$ | Other Benefits <sup>1</sup><br>US\$ | Pensions<br>US\$ | Total<br>Remuneration<br>US\$ |
|---|--------------------------------|-------------------------------------|------------------|-------------------------------|
| <b>Three months ended 30 September 2019</b>   |                                |                                     |                  |                               |
| <b>Directors</b>                              |                                |                                     |                  |                               |
| Nicholas Mather                               | 101,930                        | -                                   | -                | 101,930                       |
| Brian Moller                                  | 18,705                         | -                                   | -                | 18,705                        |
| Robert Weinberg                               | 11,900                         | -                                   | -                | 11,900                        |
| Craig Jones                                   | 11,857                         | -                                   | -                | 11,857                        |
| James Clare                                   | 11,857                         | -                                   | -                | 11,857                        |
| Jason Ward                                    | 11,857                         | -                                   | -                | 11,857                        |
| Liam Twigger                                  | 10,385                         | 76,625                              | 1,168            | 88,178                        |
| Anna Legge                                    | 42,624                         | -                                   | 374              | 42,998                        |
| Other Key Management Personnel <sup>2</sup>   | 193,000                        | -                                   | 14,729           | 207,729                       |
| <b>Total paid to Key Management Personnel</b> | <b>414,115</b>                 | <b>76,625</b>                       | <b>16,271</b>    | <b>507,011</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 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), Benn Whistler (Technical Services Manager), Chris Connell (Regional Exploration Manager), Ingo Hofmaier (Executive General Manager, Project and Corporate Finance) and Eduardo Valenzuela (Study Manager).

|   | Basic Annual<br>Salary<br>US\$ | Other Benefits <sup>1</sup><br>US\$ | Pensions<br>US\$ | Total<br>Remuneration<br>US<br>\$ |
|---|--------------------------------|-------------------------------------|------------------|-----------------------------------|
| <b>Three months ended 30 September 2018</b>   |                                |                                     |                  |                                   |
| <b>Directors</b>                              |                                |                                     |                  |                                   |
| Nicholas Mather                               | 73,160                         | 876,895                             | -                | 950,055                           |
| Brian Moller                                  | 20,119                         | 125,270                             | -                | 145,389                           |
| Robert Weinberg                               | 12,803                         | 75,162                              | -                | 87,965                            |
| John Bovard                                   | 12,803                         | 75,162                              | -                | 87,965                            |
| Craig Jones                                   | 12,803                         | 75,162                              | -                | 87,965                            |
| Other Key Management Personnel <sup>2</sup>   | 193,605                        | 346,618                             | 11,481           | 551,704                           |
| <b>Total paid to Key Management Personnel</b> | <b>325,293</b>                 | <b>1,574,269</b>                    | <b>11,481</b>    | <b>1,911,043</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) and Benn Whistler (Technical Geologist).

During the quarter, US\$16,271 employer's superannuation contribution costs (2018: US\$11,481) 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 Group's operations are sensitive to currency movements, especially between the Australian Dollar, US Dollar and the British Pound. These movements can have a negative impact on the Group's earnings.

**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 month's maximum duration. The Company's cash and cash deposits may fluctuate in value depending on the market interest rates and time to maturity of the instruments.

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

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**SUBSEQUENT EVENTS**

On 13 November 2019, Miss Anna Legge resigned as an Executive and Director of the Company.

There were no other significant changes in the state of affairs of the Group after the reporting date that is not covered in this report.

**OFF-BALANCE SHEET ARRANGEMENTS**

At 30 September 2019, the Group 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 Group.

**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:

**Exploration and evaluation expenditure**

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

The carrying values of exploration and evaluation expenditure were assessed for indicators of impairment based on an estimation of the recoverability from expected future development and production. In forming this assessment, the Group considered the external Mineral Resources Estimate, the status of its permits and internal economic models and financing which supported the carrying value of the project. No triggers of impairment were identified at 30 September 2019. The Directors have carried out an assessment of the carrying values of deferred exploration and evaluation expenditure and any required impairment.

**Share based payments**

Share based payments relate primarily to share options issued by the Company, in relation to employee share benefit schemes. The grant date fair value of such options are calculated using a Black-Scholes model whose input assumptions are derived from market and other internal estimates. The key estimates include volatility rates and the expected life of the options, together with the likelihood of non-market performance conditions being achieved.

**Functional Currency**

The functional currency for the Company is the currency of the primary economic environment in which the entity operates. The Company changed its functional currency from the Australian dollar to the US dollar in the previous financial year. Determination of functional currency may involve certain judgments to determine the primary economic environment. Expenditure at a company level will continue to be incurred in a number of currencies but given the future activities driven by the release of the PEA in funding a prefeasibility and bankable feasibility Management have judged that USD faithfully represents the currency that impacts the primary economic environment. Management will continue to make this judgement at each reporting period.

### ***Net smelter royalty payable***

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US\$4 million. Fifty percent (50%) of the royalty can be purchased for US\$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US\$3 million 90 days following a production decision. Significant management judgement is required in determining whether a liability should be recognised in respect of the net smelter royalty payable. Given that the project is still in early stages and there is uncertainty surrounding timing of cashflows, the Group has determined that it cannot recognise a liability since the amount of the present obligation cannot be reliably measured. This is therefore considered to be a contingent liability

### ***Company funded loan plan***

The Company Funded Loan Plan provides interest free loans to employees for employees to be able to exercise share options. Loan to employees are recorded at fair value on initial recognition. Key judgement is required in determining the fair value of the loans at inception based on market interest rates and timing of cash flows. Furthermore, judgement is required to ascertain the likelihood of any expected credit losses on the loans provided under the Company Funded Loan Plan.

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

New standards impacting the Group that have been adopted in the interim financial statements for the three months ended 30 September 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatment

IFRS 16 specifies how an IFRS reporter will recognise, measure, present and disclose leases. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exception are short-term and low-value leases.

Management has made an assessment of the effects of applying IFRS 16 on the Group's financial statements and has determined that the adjustments to assets and liabilities are immaterial for the three months ended 30 September 2019.

IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

Management has made a preliminary assessment and has determined that it is probable the tax authorities will accept the tax position, and therefore tax balances will be calculated under the existing accounting standard. There are no additional actions required.

## **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.