



SolGold plc

Annual Information Form

September 14, 2017

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## NOTICE TO INVESTORS

### About this Annual Information Form

Certain capitalized terms and abbreviations used in this annual information form (this "AIF") shall have the meaning ascribed to such terms in the *"Glossary of Terms"*.

### References to the Company

Unless otherwise indicated or the context otherwise indicates, use of the terms "**Company**" and "**SolGold**" in this AIF refers to SolGold plc and its subsidiaries, or other entities controlled by them, on a consolidated basis.

### Forward-Looking Information

This AIF contains certain statements which contain "forward-looking information" within the meaning of Canadian securities legislation (each a "**forward-looking statement**"). No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this AIF should not be unduly relied upon. Forward-looking information is by its nature prospective and requires the Company to make certain assumptions and is subject to inherent risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. The use of any of the words "anticipate", "plan", "contemplate", "continue", "estimate", "expect", "intend", "propose", "might", "may", "will", "shall", "project", "should", "could", "would", "believe", "predict", "forecast", "pursue", "potential", "capable", "budget", "*pro forma*" and similar expressions are intended to identify forward-looking statements. Forward-looking statements include, among others, statements pertaining to:

- the Company's future operating and financial results;
- schedules and timing of certain projects and the Company's strategy for growth;
- projected revenues and the life of mines;
- anticipated cash needs and needs for additional financing;
- the Company's competitive position and its expectations regarding competition;
- treatment under governmental and other regulatory regimes and tax, environmental and other laws; and
- the Company's future plans with respect to exploration, development and, ultimately, production at its mineral properties.

The forward-looking statements within this document are based on information currently available and what management believes are reasonable assumptions. Forward-looking statements speak only as of the date of this AIF. In addition, this AIF may contain forward-looking statements attributed to third-party industry sources, the accuracy of which has not been verified by us.

Forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. A number of factors could cause actual results to differ materially from a conclusion, forecast or projection contained in the forward-looking statements in this AIF, including, but not limited to, the following material factors:

- the speculative nature of mining operations;
- the ability of the Company to attract and retain qualified management to grow its business;

- fluctuations in mineral prices and currencies;
- the availability of acquisition opportunities and the availability of debt or equity financing necessary to complete such acquisitions;
- failure to complete future acquisitions;
- economic and market conditions;
- future financial needs and availability of adequate financing;
- laws governing the Company or the operators of properties where the Company holds interests;
- the Company's ability to make accurate assumptions regarding the valuation, timing and amount of payments in respect of properties in which it holds an interest;
- the production at or performance of properties where the Company holds interests;
- changes in estimates of mineral resources of properties where the Company holds interests;
- acquisition and maintenance of permits and authorizations, completion of construction and commencement and continuation of production at the properties where the Company holds interests; and
- publication of inaccurate or unfavourable research by securities analysts or other third parties.

Such factors are discussed in more detail under the heading "*Risk Factors*". New factors emerge from time to time, and it is not possible for management to predict all of those factors or to assess in advance the impact of each such factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statement.

**The forward-looking statements contained in this AIF are expressly qualified by the foregoing cautionary statements and are made as of the date of this AIF. Except as may be required by applicable securities laws, the Company does not undertake any obligation to publicly update or revise any forward-looking statement to reflect events or circumstances after the date of this AIF or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.**

### **Technical Information**

The scientific and technical information contained in this AIF relating to the Company's mineral projects indicated herein is supported by the technical report for the Cascabel project in Ecuador (the "**Cascabel Project**") entitled "Technical Report on the Cascabel Project, Ecuador – Prepared Under the National Instrument 43-101 and Accompanying Documents 43-101F1 and 43-101CP", dated February 15, 2017 and with an effective date of February 15, 2017, prepared by James Gilbertson, CGeol and peer reviewed by Alexandra Akyürek, CSci MIMMM of SRK Exploration Services Ltd. (the "**Cascabel Technical Report**").

The Cascabel Technical Report is subject to certain assumptions, qualifications and procedures described therein. Reference should be made to the full text of the Cascabel Technical Report, which has been filed with Canadian securities regulatory authorities pursuant to National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators ("**NI 43-101**") and is available for review under the Company's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com). The Cascabel Technical Report is not and shall not be deemed to be incorporated by reference in this AIF.

Where appropriate, certain information contained in this AIF updates information derived from the Cascabel Technical Report. Any updates to the scientific or technical information derived from the Cascabel Technical Report and any other scientific or technical information contained in this AIF was prepared by or under the supervision of Nicholas

Mather (B.Sc. Hons.), the Executive Director and Chief Executive Officer of the Company. Mr. Mather is a "qualified person" for the purposes of NI 43-101.

### Presentation of Financial Statements

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and are presented in Australian dollars.

### Currency

Unless otherwise indicated, all references to "\$" or "C\$" in this AIF refer to Canadian dollars, all reference herein to "US\$" in this AIF refer to U.S. dollars, all references to "£" in this AIF refer to British pounds, and all references to "A\$" in this AIF refer to Australian dollars.

### Exchange Rate Data

The following table sets forth the high and low exchange rates for one U.S. dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the closing rates provided by the Bank of Canada:

	Year Ended June 30		
	(C\$)		
	2017	2016	2015
High	1.374	1.456	1.279
.....			
Low	1.277	1.254	1.064
.....			
Rate at end of period <sup>(1)</sup>	1.302	1.292	1.249
.....			
Average rate for period <sup>(2)</sup>	1.326	1.3258	1.174
.....			

(1) Represents the closing rate on the last day of trading of the respective period.

(2) Determined by averaging the closing rate for each day of the respective period.

The following table sets forth the high and low exchange rates for one British pound expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the closing rates provided by the Bank of Canada:

	Year Ended June 30		
	(C\$)		
	2017	2016	2015
High	1.777	2.094	1.963
.....			
Low	1.588	1.720	1.760
.....			
Rate at end of period <sup>(1)</sup>	1.690	1.720	1.963
.....			
Average rate for period <sup>(2)</sup>	1.824	1.966	1.844
.....			

(1) Represents the closing rate on the last day of trading of the respective period.

(2) Determined by averaging the closing rate for each day of the respective period.

The following table sets forth the high and low exchange rates for one Australian dollar expressed in Canadian dollars for each period indicated, the average of the exchange rates for each period indicated and the exchange rate at the end of each such period, based upon the closing rates provided by the Bank of Canada:

	<b>Year Ended June 30</b>		
	(C\$)		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
High	1.034	1.012	1.021
.....			
Low	0.966	0.918	0.942
.....			
Rate at end of period <sup>(1)</sup>	0.980	0.964	0.964
.....			
Average rate for period <sup>(2)</sup>	0.983	0.966	0.977
.....			

(1) Determined by averaging the closing rate for each day of the respective period.

(2) Represents the closing rate on the last trading day of the respective period.

On September 5, 2017, the daily exchange rate for one U.S. dollar expressed in Canadian dollars as reported by the Bank of Canada, was \$1.2371. On September 5, 2017, the daily exchange rate for one British Pound expressed in Canadian dollars as reported by the Bank of Canada, was \$1.6094. On September 5, 2017, the daily exchange rate for one Australian dollar expressed in Canadian dollars as reported by the Bank of Canada, was \$0.9899.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

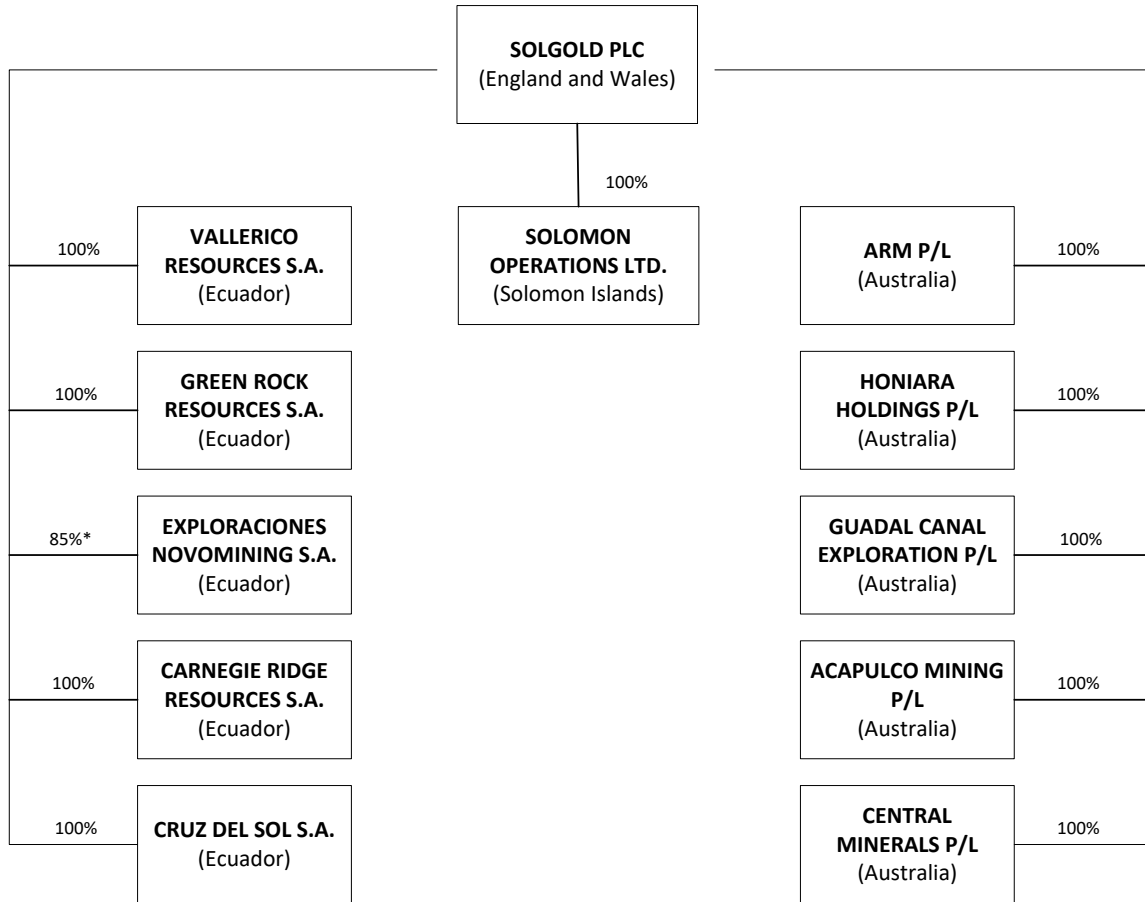
The Company was incorporated and registered in England and Wales on May 11, 2005 under the name "Solomon Gold Limited" pursuant to the *Companies Act 1985* (United Kingdom), as amended (the "**UKCA**"). On November 16, 2005, the Company was registered as a foreign company under Part 5B.2 of the *Corporations Act* (Australia) and was assigned Australian Registered Body Number 117 169 856. On December 22, 2005, the Company re-registered as a public limited company pursuant to the UKCA under the name "Solomon Gold PLC". On May 28, 2012, the Company changed its name to "SolGold plc". The Company has been admitted for trading on the Alternative Investment Market of the London Stock Exchange (the "**AIM**") under the symbol "SOLG" since February 10, 2006 and the ordinary shares in the capital of the Company (the "**Ordinary Shares**") are traded on the OTC Markets Group's OTCQB (the "**OTCQB**") under the symbol "SLGGF" since August, 2016. On July 14, 2017, the Ordinary Shares commenced trading on the TSX under the symbol "SOLG". On July 21, 2017, the Company announced its intention to apply for admission to list its Ordinary Shares on the standard listing segment of the Official List of the UK Listing Authority, admission to trade on the Main Market of the London Stock Exchange (the "**Main Market**") and cancellation of trading on AIM. On August 18, 2017, the Company announced that it expects this admission to trade on the Main Market and simultaneous cancellation of trading on AIM to occur on October 6, 2017, subject to receipt of the necessary approvals. See "*Description of the Company's Business*", "*Description of Capital Structure*" and "*Risk Factors*".

The Company's head and registered office is located at c/o Locke Lord (UK) LLP, 201 Bishopsgate, London, EC2M 3AB, United Kingdom. The Company's telephone number is +61 7 3303 0660 and its website address is [www.solgold.com.au](http://www.solgold.com.au).



## Intercorporate Relationships

The material subsidiaries controlled by the Company, the jurisdictions of incorporation of those subsidiaries and the percentage of voting securities held, directly or indirectly, by the Company, are as follows:



\* The Company holds 31,153,092 common shares of Cornerstone Capital Resources Inc. ("**Cornerstone**") (5.34% based on there being 583,878,187 shares of Cornerstone issued and outstanding as at September 5, 2017)\*\*, the entity which holds an indirect interest in the remaining 15% interest in Exploraciones Novomining S.A. ("**ENSA**") through its Ecuadorian subsidiary, Cornerstone Ecuador S.A. ("**CESA**"). Accordingly, through the shares held in Cornerstone, the Company has a further approximate indirect interest in ENSA of 0.09%.

\*\* This information, not being within the knowledge of the Company, is based on Cornerstone's public disclosure, which is available on SEDAR.

## DESCRIPTION OF THE COMPANY'S BUSINESS

### Business of the Company

SolGold is a Brisbane-based mineral exploration company that carries a diverse portfolio of exploration projects in Ecuador and Australia. SolGold has been focused on mineral exploration in the Andean copper belt in northern Ecuador since 2012. The Cascabel Project is SolGold's sole material project. As of the date of this AIF, the Company has made a number of announcements relating to copper and gold mineralization at the Alpala deposit, one of the mineral deposits at the Cascabel Project. See "*Cascabel Project*".

The Company currently holds interests in the following mineral projects:

Project	Location	Style	Ownership
CASCABEL	Ecuador	Cu-Au Porphyry	SolGold (85% interest)
BLANCA NIEVES	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
CHICAL	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
CARCHI	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
CHICAL	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
RIO AMARILLO	Ecuador	Cu-Au Porphyry	100% owned
HELIPUERTO	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
AYANGASA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
COANGOS	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
EL CISNE	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
SAN SALVADOR	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
ZHUCAY	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
MACHOS	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
LA HUECA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
LA FLORIDA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
LA HUECA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
SANTA CRUZ	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
CHILLANES	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
CHIMBORAZO	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
PIÑAS	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
PORVENIR	Ecuador	Cu-Au Porphyry	100% owned
SACAPALCA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
SAN ANTONIO	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
SHARUG	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
TIMBARA	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
AGUSTIN	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
LOS RIOS	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
AGUSTIN	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
YATUBI	Ecuador	Cu-Au Porphyry & Au Epithermal	100% owned
KUMA	Solomon Islands	Cu-Au Porphyry	100% owned
RANNES	QLD Australia	Au-Ag Epithermal	100% owned
MT PERRY	QLD Australia	Au Mesothermal	100% owned
NORMANBY	QLD Australia	Cu-Au Porphyry	100% owned
CRACOW WEST	QLD Australia	Au Epithermal	100% owned
WESTWOOD	QLD Australia	PGE Layered Intrusion	100% owned
LONESOME	QLD Australia	Au Epithermal	100% owned

\* The Company holds 31,153,092 common shares of Cornerstone Capital Resources Inc. ("**Cornerstone**") (5.34% based on there being 583,878,187 shares of Cornerstone issued and outstanding as at September 5, 2017)\*\*, the entity which holds an indirect interest in the remaining 15% interest in Exploraciones Novomining S.A. ("**ENSA**") through its Ecuadorian subsidiary, Cornerstone Ecuador S.A. ("**CESA**"). Accordingly, through the shares held in Cornerstone, the Company has a further approximate indirect interest in ENSA of 0.09%.

\*\* This information, not being within the knowledge of the Company, is based on Cornerstone's public disclosure, which is available on SEDAR.

^ A renewal application for the Westwood prospect has been lodged with the Queensland Department of Natural Resources and Mines. The Company has no reason to believe the renewal will not be granted in the ordinary course.

See "*Other Mineral Projects*".

## History

The Company was incorporated on May 11, 2005, and its primary focus has since been to acquire, explore and, if appropriate, develop precious metal properties in Ecuador, the Solomon Islands and Australia. The following is a summary of the Company's development over the 3 most recently completed financial years.

### *Fiscal Year 2015*

On August 13, 2014, the Company changed its registered office address from "10 Dominion Street, London EC2M 2EE, United Kingdom" to "c/o Locke Lord (UK) LLP, 201 Bishopsgate, London, EC2M 3AB, United Kingdom".

On October 22, 2014, the Company appointed GMP Securities Europe LLP as its joint corporate broker, with SP Angel Corporate Finance LP (“**SP Angel**”) continuing as nominated adviser and joint broker of the Company.

On March 18, 2015, the Company announced its proposal to raise up to approximately £3,428,000 (approximately £3,288,000 net of expenses) through the issuance of up to 114,290,838 Ordinary Shares (the “**Open Offer Shares**”) through an open offer (the “**Open Offer**”) at an issue price of 3 pence per Open Offer Share (the “**Open Offer Issue Price**”). The Open Offer was made available to qualifying shareholder of SolGold, who would be able to subscribe for Open Offer Shares at the Open Offer Issue Price *pro rata* to their holdings of existing Ordinary Shares as at a specified record date. Qualifying shareholders would be able to subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 6 Ordinary Shares the qualifying shareholders held as of the specified record date. Qualifying shareholders wishing to subscribe for their full Open Offer entitlement could also apply for excess shares (with allocation subject to the excess Open Offer formula) (the “**Excess Shares**”) through an excess application facility.

On March 25, 2015, in connection with the Open Offer, the Company entered into a loan agreement with DGR Global Limited (“**DGR Global**”) whereby SolGold borrowed A\$300,000 in short-term debt funding, at an interest rate of 9.5% per annum maturing on the earlier of the date of the closing of the Open Offer or June 30, 2015. The loan by DGR Global constituted a related party transaction under the AIM exchange rules. Additionally, DGR Global, as a qualified shareholder of SolGold, committed to take up its full Open Offer entitlement amounting to approximately A\$527,000, and in addition, stated its intention to apply for approximately A\$633,000 of Excess Shares. Accordingly, the parties intended that the A\$300,000 loan be treated as an advance on DGR Global's Open Offer commitment which was converted into Open Offer Shares.

On April 9, 2015, the Company announced that a total of 74,708,041 Open Offer Shares out of a maximum 114,290,838 Open Offer Shares available were validly applied for by qualifying shareholders of SolGold under the Open Offer, comprised of 40,646,131 Open Offer Shares which were applied for under Open Offer entitlements and 34,061,910 Excess Shares which were applied for under the excess application facility. The Open Offer resulted in the Company raising gross proceeds of approximately £2,240,000 (net proceeds of approximately £2,100,000). The Company used the proceeds principally to further development of the Cascabel Project and for general working capital purposes.

On May 12, 2015, the Company announced the split of the management and technical oversight of the Cascabel Project into two separate but co-dependent roles, being Chief Technical Advisor and Exploration Manager. Dr. Steve Garwin was appointed as Chief Technical Advisor and Jason Ward was appointed to undertake the role of Exploration Manager for the Cascabel Project, in addition to his then role as Ecuadorean Country Manager and President of ENSA. On the same date, Dr. Bruce Rohrlach announced his resignation as General Manager of Exploration for the Company.

On May 17, 2015, Alan Martin resigned as the Managing Director and chief executive officer (the “**CEO**”) of the Company and Nicholas Mather, Executive Director of the Company, was appointed to act as CEO, assisted by senior management and the board of directors of SolGold (the “**Board**”), until such time a suitable replacement could be found.

#### *Fiscal Year 2016*

On October 2, 2015, the Company issued convertible note deeds to its substantial shareholders, DGR Global and Tenstar Trading Limited (“**Tenstar**”), for funding of A\$1,250,000 and £500,000, respectively (the “**Convertible Note Deeds**”). The Convertible Note Deeds were subject to an interest rate of 9.5% per annum for a term of 12 months, with interest payable at the end of each calendar month. Any accrued and unpaid interest could be capitalised at the noteholder's election. The convertible notes (the “**Convertible Notes**”) issued pursuant to the Convertible Note Deeds could also be converted in full or in part, at any time, into fully-paid Ordinary Shares at the higher of 1.75 pence or the price equal to 80% of the 5 trading day volume-weighted average prices (“**VWAP**”) of the Ordinary Shares prior to the date of a notice of intention to convert.

On October 22, 2015, GMP Securities Europe LLP ceased its role as joint corporate broker of the Company.

On January 8, 2016, the Company entered into an engagement letter with Medea Capital Partners Ltd. (the "**Medea Engagement Letter**"), whereby Medea Capital Partners Ltd. ("**MCP**") agreed to act as a strategic consultant to the Company in respect of:

- an initial capital raising of £3,500,000 from MCP and MCP's clients ("**Phase 1**"); and
- subject to completion of Phase 1, a subsequent capital raising to fund a feasibility study for the Cascabel Project ("**Phase 2**").

In respect of Phase 1, the Company agreed to pay MCP a fee equal to 2% of the funds raised by equity securities issued to investors introduced by MCP. In addition, the Company agreed to issue such number of warrants exercisable for Ordinary Shares as equal the product of 2% of the amount of funds raised in Phase 1, divided by £0.01875 (which divisor will be the exercise price per warrant). The warrants are to be transferable, and are to have an exercise period of 3 years from issue.

In respect of Phase 2, the Company agreed to pay MCP the following fees:

- an amount of £1,500 per man-day of work undertaken by MCP (there being 3 MCP personnel that were to undertake work for the Company pursuant to the terms of the Medea Engagement Letter). The fees were to be paid in cash or in Ordinary Shares, at the Company's discretion;
- upon the execution of a Committed Term Sheet (as defined in the Medea Engagement Letter) with an investor, a fee equal to 0.5% of the funds to which the investor commits to provide (whether by way of the issue of equity or debt instruments). In addition, the Company shall issue such number of warrants to subscribe for Ordinary Shares as is equal to the product of 0.5% of the amount of funds raised, divided by an amount equal to 125% of the 30-day VWAP (which divisor will be the exercise price per warrant). The warrants are to be transferable, and have an exercise period of 3 years from issue; and
- a fee equal to 0.5% of the funds raised by the Company through the issue of either equity or debt securities. In addition, the Company agreed to issue such number of warrants to subscribe for Ordinary Shares as is equal to the product of 0.5% of the amount of funds raised, divided by an amount equal to 125% of the 30 day VWAP (which divisor will be the exercise price per warrant). The warrants are to be transferable, and have an exercise period of 3 years from issue.

In addition, the Company is to pay MCP's costs related to the engagement. The Medea Engagement Letter provides for the various fees outlined above to become payable if the Company undertakes a capital raising involving investors introduced by MCP within 12 months of the Medea Engagement Letter being terminated other than where MCP terminates without cause or SolGold terminates for a material breach of the Medea Engagement Letter by MCP or misrepresentation.

As of the date of this AIF, no money has been raised nor have any options to purchase Ordinary Shares of the Company ("**Options**") been issued by the Company pursuant to the Medea Engagement Letter.

On March 7, 2016, the Company announced that the Convertible Notes issued by the Company pursuant to the Convertible Note Deeds on October 2, 2015, together with interest accrued thereunder, were converted at 2.3 pence per Ordinary Share, being 80% of the 5-day VWAP prior to allotment. A total of 50,271,739 Ordinary Shares were issued to DGR Global and Tenstar from the conversion of all of the Convertible Notes.

In addition, a total of 2,142,457 Ordinary Shares were issued to DGR Global and Tenstar in lieu of interest due to them in connection with the Convertible Note Deeds. On the same day, DGR Global elected to convert a number of other loans it provided the Company, with an aggregate principal amount equal to approximately £805,803, into 35,034,896 Ordinary Shares at 2.3 pence per Ordinary Share. The issue price exceeded the VWAP over the period since October 2015, during which the loans were made. No interest had accrued on this amount.

As a result of the conversion of the Convertible Notes issued pursuant to the Convertible Note Deeds listed above, DGR Global's holdings increased from 87,850,773 Ordinary Shares to 152,532,214 Ordinary Shares (representing approximately 15.99% of the then issued and outstanding Ordinary Shares) and Tenstar's holdings increased from 122,050,411 Ordinary Shares to 144,818,062 Ordinary Shares (representing approximately 15.18% of the then issued and outstanding Ordinary Shares).

On May 13, 2016, the Company subscribed for 10,000,000 common shares of Cornerstone (the "**Cornerstone Shares**") in consideration for C\$500,000 aggregate in cash. Following the completion of the subscription, the Company held approximately 31,153,092 Cornerstone Shares or approximately 10.93% of the issued and outstanding capital of Cornerstone.

#### *Fiscal Year 2017*

On July 8, 2016, the Company announced that it had entered into a term sheet with Maxit Capital LP ("**Maxit Capital**") for a private placement for gross proceeds of up to US\$20,000,000, comprised of a subscription of up to 238,475,000 Ordinary Shares by Maxit Capital and any third parties designated by Maxit Capital or the Company.

On August 1, 2016, the Company announced that it had entered into a revised term sheet with Maxit Capital for a private placement for gross proceeds of up to US\$36,500,000, comprised of a subscription of up to 268,800,000 Ordinary Shares by Maxit Capital and any third parties designated by Maxit Capital or the Company, at US\$0.08 per Ordinary Share, for gross proceeds of US\$21,500,000 and an Option to purchase additional Ordinary Shares for up to a further US\$15,000,000.

On August 16, 2016, the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) entered into a share subscription agreement (the "**Maxit Subscription Agreement**") pursuant to which Maxit Capital subscribed for 12,501,565 Ordinary Shares at a price of US\$0.08 per Ordinary Share (the "**Initial Maxit Subscription**"). Under the Maxit Subscription Agreement, Maxit Capital was granted the right to nominate a director to be appointed as a director of the Board, provided that Maxit Capital's percentage interest in the issued and outstanding Ordinary Shares did not, as a result of the voluntary sale of Ordinary Shares by Maxit Capital, fall below a 1.02% interest. Certain fees were payable to Maxit Capital under the Maxit Subscription Agreement relating to: (i) the Initial Maxit Subscription; (ii) Maxit Capital's role in arranging the conversion by DGR Global of approximately US\$4,398,000 of debt into approximately 54,862,500 Ordinary Shares; and (iii) Maxit Capital's role in arranging the subscription for 181,687,500 Ordinary Shares by a number of other subscribers. These fees were satisfied by the Company through the issuances of 11,758,038 Ordinary Shares, 5,879,019 Options to purchase Ordinary Shares at 14 pence and 5,879,019 Options to purchase Ordinary Shares at 28 pence to Maxit Capital. For more information regarding the Maxit Subscription Agreement, see "*Maxit Subscription Agreement*".

On August 30, 2016, SolGold announced that it had entered into a conditional share subscription with Newcrest International Pty Ltd. ("**Newcrest International**"), a wholly-owned subsidiary of Newcrest Mining Limited. The agreement provided for the investment by Newcrest International of US\$10,868,592 in exchange for 135,857,401 Ordinary Shares at US\$0.08 per Ordinary Share, subject to SolGold shareholder approval. Under the agreement (the "**Newcrest Subscription Agreement**"), subject to Newcrest International holding more than 10% of the share capital of SolGold, Newcrest International has a right (but not an obligation) to appoint a director to the Board. For more information regarding the Newcrest Subscription Agreement, see "*Newcrest Subscription Agreement*".

On September 9, 2016, the Company announced that, pursuant to the Maxit Subscription Agreement, Maxit Capital appointed Scott A. Caldwell to join the Board as a Non-Executive Director.

On September 22, 2016, the Company announced that it had received a superior investment proposal to the conditional share subscription with Newcrest International. The superior investment proposal was made by Maxit Capital, offering to either: (i) arrange a cash investment into SolGold at a price of US\$0.16 per Ordinary Share, for a total of US\$20,000,000; or (ii) jointly subscribe with Newcrest International for total proceeds to the Company of US\$33,000,000, whereby Newcrest International would subscribe for 10% of the capital of SolGold (10% then being 142,896,661 Ordinary Shares) at US\$0.16 per Ordinary Share for an aggregate of US\$22,863,000, and Maxit Capital and its clients would subscribe for 4.43% of the capital of SolGold (4.43% then being 63,353,338 Ordinary Shares) at US\$0.16 per Ordinary Share, for an aggregate of US\$10,137,000.

On September 26, 2016, the Company announced that, in response to the superior investment proposal made by Maxit Capital, the Company had entered into conditional agreements with Maxit Capital and Newcrest International for the subscription by Maxit Capital and Newcrest International for a total of US\$33,000,000, whereby Newcrest International would subscribe for 142,896,661 Ordinary Shares at US\$0.16 per Ordinary Share for an aggregate of US\$22,863,000, and Maxit Capital and its clients would subscribe for 63,353,338 Ordinary Shares at US\$0.16 per Ordinary Share for an aggregate of US\$10,137,000.

On October 10, 2016, in connection with the conditional agreements entered into with each of Maxit Capital and Newcrest International, the Company announced that it had received an alternative investment and earn-in proposal from BHP Billiton plc ("**BHP Billiton**") (by way of Minera Spence S.A. or a nominated affiliate) to acquire a 10% interest of SolGold for US\$30,000,000, at an implied price of US\$0.22 per Ordinary Share. The offer also included a right in favour of BHP Billiton to appoint a director to the Board and an earn-in to the Cascabel Project in favour of BHP Billiton, entitling BHP Billiton to acquire 70% of ENSA out of SolGold's 85% interest in ENSA in consideration for US\$275,000,000. The Company advised its shareholders that the Board (with Scott A. Caldwell abstaining) does not recommend the alternative investment and earn-in proposal from BHP Billiton, as it believes the proposal is not in the best interests of SolGold and its shareholders, and that it is not a superior proposal in comparison to the previously announced US\$33,000,000 financing with Maxit Capital and Newcrest International.

On October 11, 2016, the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) entered into a second tranche share subscription agreement (the "**Maxit Second Tranche Subscription Agreement**"), pursuant to which Maxit Capital subscribed for 10,347,089 Ordinary Shares at a price per Ordinary Share of US\$0.16 (the "**Maxit Second Tranche Subscription**"). Certain fees were payable to Maxit Capital under the Maxit Second Tranche Subscription Agreement relating to the Maxit Second Tranche Subscription and its role in arranging the subscription for 53,006,250 Ordinary Shares by a number of other subscribers. These fees were satisfied by the Company through the issue of 7,833,730 Ordinary Shares, 3,916,865 Options to purchase Ordinary Shares at 14 pence and 3,916,865 Options to purchase Ordinary Shares at 28 pence to Maxit Capital. For more information, see "*Maxit Second Tranche Subscription Agreement*".

On October 14, 2016, following shareholder approval, the Company issued a total of 63,353,339 Ordinary Shares at US\$0.16 per Ordinary Share, for an aggregate of US\$10,136,534 to Maxit Capital and clients of Maxit Capital.

On October 17, 2016, following shareholder approval, the Company issued a total of 142,896,661 Ordinary Shares at US\$0.16 per Ordinary Share for an aggregate of US\$22,863,466 to Newcrest International.

On January 31, 2017, the Company issued and allotted 100,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right (as defined herein). The allotment to Newcrest International was priced at 29.9 pence per Ordinary Share, based on a 10-day VWAP.

On March 1, 2017, the Company issued and allotted 240,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right (as defined herein). The allotment to Newcrest International was priced at 38.4 pence per Ordinary Share, based on a 10-day VWAP.

On March 3, 2017, the Company announced that, pursuant to the Newcrest Subscription Agreement, Newcrest International appointed Craig Jones to join the Board as a Non-Executive Director. Mr. Jones' appointment was ratified at the Company's annual general meeting on July 28, 2017.

On March 21, 2017, the Company entered into an administrative services agreement with DGR Global (the "**Administration Services Agreement**"), whereby DGR Global agreed to provide administration services to SolGold from time to time, in exchange for a service fee in the amount of \$30,000 per month. For more information, see "*Administration Services Agreement*".

On May 30, 2017, the Company announced that it was granted 38 mineral concessions across Ecuador, totalling at least 128,760 km<sup>2</sup>. The granted concessions form 14 project areas over individual porphyry systems: Rio Amarillo;

Chillanes; San Antonio; Salinas, Salampe, Yatubi; Agustin; Sharug; Porvenir; Helipuerto; Blanca Nieves; Sacapala; Timbara; PIÑAS; Chical and Rio Mira. These new concessions are all located on the Andean copper belt and are 100% indirectly owned by the Company, through the Company's Ecuadorian subsidiary companies.

On June 19, 2017, Scott Caldwell resigned from his position as a Non-Executive Director of the Company.

On June 22, 2017, the Company announced the completion of its offering of 78,889,080 Ordinary Shares at 41 pence per Ordinary Share to raise gross aggregate proceeds of US\$41,230,000 (the "**June 2017 Offering**"). Newcrest International subscribed for US\$40,000,000 Ordinary Shares under the June 2017 Offering, which increased Newcrest International's holding to 219,772,271 Ordinary Shares, representing 14.54% of the then issued and outstanding share capital of the Company. See "*Newcrest Subscription Agreement*".

On June 23, 2017, the Company entered into a consultancy agreement (the "**Samuel Consultancy Agreement**") with Samuel Capital Pty Ltd. ACN 078 336 044 ("**Samuel**"), a company associated with Nicholas Mather, CEO and Managing Director of the Company, pursuant to which Samuel is engaged as an independent contractor to the Company. For more information, see "*Executive Compensation – Components of Compensation Program – Employment Agreements and Potential Payments upon Termination*".

#### *Events Subsequent to Fiscal Year 2017*

In July 2017, the Board adopted a share incentive plan (the "**Share Incentive Plan**"). The Share Incentive Plan is subject to shareholder approval which was approved by shareholders at the Company's annual general meeting on July 28, 2017. For more information, see "*Options to Purchase Securities – Share Incentive Plan*" and "*Long Term Incentive Plans – Share Incentive Plan*".

On July 14, 2017, the Company commenced trading on the Toronto Stock Exchange ("**TSX**") under the trading symbol "**SOLG**".

On July 21, 2017, the Company announced its intention to apply for admission to list its Ordinary Shares on the standard listing segment of the Official List of the UK Listing Authority, admission to trade on the Main Market and cancellation of trading on AIM.

On July 28, 2017, the Company passed a resolution that generally and unconditionally authorizes the directors of the Company to exercise all the powers of the Company to allot Ordinary Shares in the Company or grant rights to subscribe for or to convert any securities into Ordinary Shares up to a maximum aggregate nominal amount of £6,000,000. This authority will expire at the earlier of: (a) the conclusion of the next annual general meeting of the Company; and (b) October 28, 2018. Notwithstanding the foregoing, if before the expiry of this authority, the Company makes an offer or agreement which would or might require securities to be allotted after such expiry, the directors of the Company may allot the securities in pursuance of such an offer or agreement as if the authority conferred had not expired. This resolution revokes and replaces all unexercised authorities previously granted to the directors of the Company to allot shares or grant rights for or to convert any securities into shares, but without prejudice to any allotment of shares or grants of rights already made, offered or agreed to be made pursuant to such authorities.

On July 28, 2017, the Company passed a special resolution that authorizes the directors of the Company to allot equity securities, up to the aggregate nominal amount of £6,000,000, without requiring that such equity securities first be offered to existing shareholders *pro rata* to their holdings. This authority will expire at the earlier of: (a) the conclusion of the next annual general meeting of the Company; and (b) October 28, 2018. Notwithstanding the foregoing, if before the expiry of this authority, the Company makes an offer or agreement which would or might require securities to be allotted after such expiry, the directors of the Company may allot the securities in pursuance of such an offer or agreement as if the authority conferred had not expired.

On August 11, 2017, the Company issued and allotted 690,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right (as defined herein). The allotment to Newcrest International was priced at 38.16 pence per Ordinary Share, based on a 10-day VWAP.

On August 18, 2017, the Company announced that it expects this admission to trade on the Main Market and simultaneous cancellation of trading on AIM to occur on October 6, 2017, subject to receipt of the necessary approvals.

On August 29, 2017, the Company announced that it was granted 21 mineral concessions across totalling 249,608 hectares in addition to those granted in May 2017. The granted concessions form an additional 6 project areas over individual porphyry systems: Ayangasa; Coangos; El Cisne; Zhucay; Machos and La Hueca. These new concessions are 100% owned by the Company, through the Company's Ecuadorian subsidiary companies.

## **Corporate Strategy**

The Company's corporate strategy is to:

- create wealth for its shareholders by exploring, discovering and defining inventories of, but not limited to, copper and gold metal;
- primarily focus on copper and gold, taking up the growth potential and increasing global demands;
- target regions with high-grade deposits;
- target lower-scale exploration opportunities to enable low cost entry into mineral projects and prospects;
- focus on a disciplined and systematic approach to exploration;
- maximize shareholder funds on "in the ground" exploration expenditure as a proportion of the total budget in order to generate high-quality results;
- secure additional exploration projects by applying for new tenements and/or farm-in style agreements;
- undertake an on-going review of potentially "value accretive" opportunities that are presented to the Company from time to time;
- respect the communities and environment in which it operates; and
- maintain a strong focus on health and safety for employees and contractors.

SolGold aims to capitalize on the growth potential for copper where global urbanization increases copper demand. The Company is focused on two types of metals, copper and gold. At the same time, SolGold seeks to continue its commitment to corporate social responsibility, which includes its commitment to: (i) the health and safety of its employees and contractors; and (ii) to the environmental sustainability of the communities in which it conducts exploration. The Company aims to maintain its outstanding safety record and to ensure that its employees are properly trained and use planned and controlled safety procedures. In addition, the Company intends to continue expanding its environmental and social management programs which were first established in 2012.

SolGold strives to build strong community relations with the communities at the Cascabel Project, and sponsors a number of community enterprises as well as engages in environmental monitoring studies and rehabilitation programs.

## **Exploration Strategy**

At Cascabel, the benefits of corporate deals with Newcrest Mining Ltd and Maxit Capital were realised with exploration fully funded for coming years as drilling continued to expand the growing world class deposit at Alpala. A review of drilling results has clarified 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. Alpala alone is emerging as a Tier 1 copper project with high average grades in both copper and gold. The project will also enjoy the support of the surrounding 14 identified targets, with drill testing at Aguinaga and other high priority targets planned for the coming year.

The Company is currently directing drilling capability and operations currently to the collection of drill data to be used in the delivery of a Maiden Inferred Resource Estimate late December 2017. SolGold is also commencing planning for the collection of necessary data to complete a prefeasibility assessment by end 2018.

The Company's exploration strategy includes the following elements:

- capitalization of the Company's history of successful discoveries of mineral resources;
- detailed due diligence of project opportunities;
- a disciplined approach to the evaluation of projects to generate exploration datasets, that may include some of all of the following exploration activities: (i) geological mapping; (ii) stream, soil and rock chip geochemical sampling; and (iii) geophysical surveying;
- generation of robust drill targets testing mineralization deposit models based on multiple exploration datasets; and
- drill testing targets to define potentially economic mineral resources that the Company may develop to the feasibility study stage.

SolGold has experience at both the operational management and the Board level to define and develop mineral resources from discovery through to feasibility and development. SolGold hopes to remain engaged in project generation globally, targeting tectonically fertile areas and countries which have potential to experience growth in the next mining upturn, as well as streamlining its assets in Australia.

In Ecuador, the Company seeks to acquire high-grade projects, advance the Cascabel Project and obtain additional tenements.

At the Cascabel Project, the Company aims to continue realising benefits from its corporate transactions with Newcrest Mining Ltd. and Maxit Capital, as the Company's exploration spreads beyond the Alpala deposits. A review of drilling results has clarified high-grade intersections at updated metal prices, and geology model analyses continue to improve drill targeting capabilities.

SRK Exploration Services Ltd. ("**SRK Exploration**") was commissioned to qualify complex geological modelling and to draft the Cascabel Technical Report which covers the Alpala deposit. The Alpala deposit is larger than previously understood by SolGold management, and an Alpala maiden mineral resource estimate was deferred to December 2017 due to excessive portions of the deposit remaining open. An additional minimum of 100,000 m of drill testing is required to fully constrain the Alpala deposit. Resultingly, the company plans to release mineral resource estimates on quarterly basis until such time that the true dimension of the Alpala Deposit is realised.

Additional porphyry copper-gold targets within the Cascabel Project require over 165,000 m of drill testing, with a supplementary 170,000 m of drilling anticipated for resource definition at additional targets. Drilling at the Alpala deposit was increased in October 2016 with the use of 3 man-portable deep hole diamond drill rigs, which the Company plans to continue using in 2017. In mid 2017, drilling at Alpala expanded to a fleet of 5 man-portable diamond drill rigs. A further 2 man-portable rigs are being mobilised to site in September 2017. A further 5 large track-mounted drill rigs are being mobilised to site during the final quarter of 2017 as the Company plans to significantly increase its drilling with the use 3 drilling contractors competing across a total of 12 diamond drill rigs by early 2018.

Country wide generative work in order to acquire top quality projects in this emerging mining country. The group holds 36 project areas, comprising 59 tenements granted to SolGold's four local subsidiary companies to date. These tenements cover the targets previously identified in the study of potential prospective porphyry centres throughout the northern Andean copper belt in Ecuador. Teams of Company geologists are on the ground throughout Ecuador conducting initial baseline data collection and identifying prospective targets for follow-up exploration. SolGold subsidiaries currently hold 59 granted tenements for 2,496 km<sup>2</sup>, in addition to the Company's world class Cascabel porphyry project.

Each of SolGold's four subsidiary companies has a team of geologists on the ground carrying out reconnaissance field mapping and rock chip sampling programs as well as evaluating several outcropping mineralised targets. The teams are focussed on first pass exploration on the Porvenir, San Antonio, Sharug, Machos, Agustin and Rio Amarillo projects.

Initial mapping campaigns have been very encouraging with widespread areas of hydrothermal alteration identified which are considered highly prospective for porphyry and epithermal style mineralisation. Initial rock chip samples taken of altered outcrops have returned values as high as 12% Cu. Regional geology teams are commencing systematic stream sediment sampling and panned concentrate programs over the prospective tenements. From the stream and panned concentrate results, gridded soil programs will be planned to identify targets to be drilled in due course.

In the Solomon Islands, SolGold has streamlined its in-country presence after drill testing reduced the prospectivity for economic resources at the Fauro, Koloula and Malakuna tenements. No further exploration work was carried out on these tenements. The aforementioned tenements, along with all other tenements in the Solomon Islands (including the Kuma and Mbetilonga tenements), were subsequently relinquished.

SolGold, through its wholly owned subsidiary ARM, has since subsequently re-applied for the Kuma tenement. During the year, the Kuma project in Guadalcanal has re-emerged as a significant porphyry copper-gold target upgraded by recent geochemical and spectral work by Guadalcanal Exploration Pty Ltd (GEX). While the Board does not believe that there is any reason that the Kuma application will not be granted, there can be no guarantee that this will be the case.

In Australia, drill testing of porphyry style copper-gold mineralisation at the Normanby Project, in northern Queensland commenced in early July. A total of 518m of RC drilling from 7 RC drill holes and 89.2m of diamond coring from 1 drill holes was completed at the time of writing. A significant vertical mineralised structure was intersected in holes MFT19, and MFT17, and a separate shallow dipping zone of mineralisation was also discovered in holes MFT24 and MFT014. Assay results remain pending.

A reassessment of the range of other projects held in Queensland resulted in definition of detailed work programs that will be put in place as exploration funds become available.

## **CASCABEL PROJECT**

ENSA holds a 100% ownership interest in the Cascabel Project. SolGold holds approximately a 86.12% ownership in the Cascabel Project, comprised of: (i) its 85% ownership interest in ENSA; and (ii) its investment in Cornerstone of 31,153,092 shares in Cornerstone (7.44% based on there being 418,578,818 shares of Cornerstone issued and outstanding as at July 4, 2017 (this information, not being within the knowledge of the Company, is based on Cornerstone's public disclosure, which is available on SEDAR)), the entity which holds the remaining 15% ownership interest in ENSA through its Ecuadorian subsidiary, CESA, which amounts to a further indirect interest in ENSA of approximately 1.12%.

### *Location and Access*

The Cascabel Project is located within the Imbabura province of northern Ecuador, approximately 100 km north of the capital Quito and 50 km north-northwest of the provincial capital, Ibarra. The Cascabel Project lies approximately 20 km south of the Colombia-Ecuador border, and 75 km southeast of San Lorenzo, located on Ecuador's pacific coast.

The Cascabel Project is accessible from the City of Quito, located in Ecuador. International flights regularly arrive and depart from Quito airport from major airline carriers. From Quito, the Cascabel Project is accessible by sealed roads, travelling initially to Ibarra (approximately 100 km). Ibarra is connected to the northern margin of the licence (approximately 90 km) via the Ibarra-San Lorenzo road that runs along the Rio Mira river valley. Driving time to the Cascabel Project camp at Rocafuerte is approximately 3 hours. Access to the main exploration prospects within the Cascabel Project licence is via a series of 4 by 4 accessible tracks and hiking trails from the main highway just outside the towns of San Pedro and Rocafuerte. The distance from Rocafuerte to the Alpala camp is approximately 6 km and takes approximately 30 minutes on dirt tracks.



### *Mineral Tenure*

As of June 2016, the concession had an area of 50 km<sup>2</sup>, consisting of a single permit (Claim ID 402288). The Ecuador mining cadastre classifies the licence as an "advanced exploration" licence for metallic minerals, with gold listed as the primary commodity. The licence was initially issued to a subsidiary (Santa Barbara Copper & Gold S.A., "SBCG") of Santa Barbara Resources Ltd. ("**Santa Barbara**") on January 12, 2007. SBCG was subsequently sold to Cornerstone in July 2011 via a subsidiary called ENSA. In May 2012, the Company entered into a joint venture with Cornerstone to explore the Cascabel Project. The current licence was granted in March 2011 and is valid for 25 years.

### *Payment Obligations and Royalties*

As part of the sale of the property by Santa Barbara in 2012, an option to purchase 2% of the net smelter return (the "NSR") royalty has been retained by Santa Barbara. This option allows for the purchase of 1% NSR royalty for US\$1,000,000 within 3 months of the completion of a bankable feasibility report, and a further 1% NSR royalty for US\$3,000,000 within 3 months of a decision made by the owners to mine the projects. Since the dissolution of Santa Barbara in 2015, this option has been held by an agent.

Santa Barbara agreed to compensate Cornerstone and its shareholders, officers, representatives, officials and employees in relation to any payment, complaint, claim, judicial or administrative action which has the basis of any future labour claims, lack of payment for professional services of contractors or workers or social security. The costs of defending any such action will be borne by Santa Barbara.

#### *Licences and Authorisations*

No additional permits beyond the granted mining concession and environmental licence are required to undertake exploration within the Cascabel Project.

#### *Environmental Considerations*

Exploration and mining activities in Ecuador are subject to provisions of the *Mining Act, 2009* (Ecuador), as amended (the "**Mining Act**"). Under the Mining Act, the holders of mining concessions must obtain and submit environmental studies to prevent, mitigate, control and repair the environmental and social impact resulting from such activities. The Environmental Department of the Ministry of Energy and Mines is responsible for the approval of the environmental studies of the Cascabel Project. According to the Environmental Regulation for Mining Activities, the required environmental studies are:

- Environmental Impact Preliminary Evaluation (EPIA), which is a general environmental study that describes the environmental components, project activities, potential environmental effects, and planned prevention, correction, and/or mitigation measures.
- Environmental Impact Assessment (EIA), which is a detailed, multidisciplinary technical study that identifies and evaluates the potential negative environmental effects and details specific preventative or corrective measures for the effects.
- Environmental Audit (AA), which provides a means of assessing and controlling the measures proposed in the EIA and legal framework.

In August 2013, an environmental licence for advanced exploration including drilling was issued by the Ecuadorean Ministry of Environment. The authors of the Cascabel Technical Report are not aware of the existence any environmental liabilities in connection with the Cascabel Project.

#### *Mineral Rights in Ecuador*

Mining in Ecuador is mainly governed by the Mining Act and the *General Regulation of the Mining Act* (Ecuador), as amended (the "**GRMA**"). The Mining Act and GRMA recognise, regulate and classify mining activities depending on production levels, namely: (i) large-scale mining; (ii) medium-scale mining; (iii) small-scale mining; and (iv) artisanal mining.

To conduct exploration in Ecuador, a mining licence must be granted by the Ministry of Mines and registered with the respective mining registry managed by the Agency for Regulation and Control of Mining (Agencia de Regulacion y Control Minero) (the "**ARCOM**"). The term of a mining licence is 25 years, and is renewable for similar periods upon request by the licence holder. Once the licence has been granted, exploration may be conducted for a 4 year term, which is identified as the initial exploration period.

The holder of the licence is entitled to request a further 4 year period from the Ministry of Mines, to proceed with advanced exploration. At that point, a portion of the exploration licence must be relinquished, although there is no legislated minimum amount that must be relinquished. The Ministry of Mines will process this application, provided the applicant has met the minimum investment commitment during the initial exploration stage, and submitted a plan of activities and minimum expenditures contemplated under the advanced exploration stage. However, future applications will hold a minimum expenditure as set out by the applicant during submission.

Mining companies are subject to a windfall tax on extraordinary income equivalent to 70% of the gross amounts obtained from the sale of mineral at a higher price than the base price established in the Mining Exploitation Contract.

The holder of the licence is also subject to other taxes, payments and contributions such as: (i) income tax – 22% of profits; (ii) labour profit sharing tax – 15% (12% to the State and 3% to employees in the case of large-scale mining, and 10% to the State and 5% to employees in the case of medium- and small-scale mining); (iii) value added tax – 14%; (iv) municipal taxes and contributions, social security contributions; and (v) annual conservation fee that the holder of the licence shall pay for each mining hectare by March each year. This equates to 2.5% of the government mandate "basic salary", currently \$366, per hectare of the mining licence for the initial exploration period (this doubles to 5% of the basic salary per hectare for the advanced exploration and economic evaluation periods, and doubles again to 10% during the operational phase of the mining licence).

In addition to the taxes outlined above, the holder of the licence must pay to the State a royalty of no less than 5% of the value of all sales, and no more than 8% for the sale of gold, silver and copper (large-scale mining). For medium- and small-scale mining, the royalty payable is 4% and 3% respectively, while artisanal mining is not subject to royalties.

It is the understanding of the author of the Cascabel Technical Report that the holder of a mining licence has an easement over the surface land in order to duly exercise its mining rights. The rights emanating from this easement include, among others, the right to occupy certain areas for construction required for mining activities, as well as rights related to waterways, railways, landing strips, ramps, transport belts, and electrical installations. The easement must be registered in the mining registry managed by the ARCOM. The owner of the surface land is entitled to receive payment from the holder of the mining licence for the easement granted. In certain cases, the easement rights, including terms and conditions, are expressly agreed to in contracts executed between the holder of the concession and the owner of the surface land. If no agreement is reached, ARCOM may order the creation of the easement and determine the mandatory payments due to the owner of the land.

## Project History

The Cascabel Project has had many operators over the years. Below is an itemized summary of historical exploration conducted and any relevant productions at the Cascabel Project:

Dates	Operator	Activity Details
1980 to 1984	General Director of Geology and Mines	The first exploration undertaken over the Cascabel Project was through an initiative of the General Director of Geology and Mines called the Noroccidente project. This project targeted the mineral resources in the northern provinces of Carchi in Esmeraldas and Imbabura. Exploration work involved 1:500,000 scale regional geology mapping the collection of 822 stream sediment samples which were analysed by atomic absorption spectroscopy ("AAS") for gold ("Au"), silver ("Ag"), copper ("Cu"), zinc ("Zn") and lead ("Pb"). Limited information is available but the authors of the Cascabel Technical Report understand that ten anomalies were identified (one being the Junín Cu-Mo mineral property). The National Government of Ecuador signed a technical assistance agreement with the Government of Belgium to undertake exploration work over each of the anomalies detected, including the Parambas river (located in the Cascabel Project) and to expand regional exploration. The Cascabel Project was originally named the Parambas project.
1984 to 1985	The Belgian Mission and the Ecuadorian Institute of Mining (the "INEMIN")	A cooperative agreement between the Belgian Mission and INEMIN resulted in geological, geochemical and geophysical investigations being carried out for volcanogenic massive sulphide and porphyry Cu mineralisation. Stockworks, veins and disseminated sulphides and sulphosalts were discovered over a number of sites. Only the Junín, Parambas and Zarapullo occurrences were deemed to have economic potential.
1986	INEMIN and the Rio Tinto Zinc Corporation ("RTZ")	Through an agreement between INEMIN and RTZ, selected samples collected from previously determined anomalies from the Parambas and Morán rivers, and their extensions were reanalysed using inductively coupled plasma ("ICP") for 29 elements. The samples had been historically collected during exploration projects sponsored by the United Nations and with technical assistance from the United Kingdom and cooperation

<b>Dates</b>	<b>Operator</b>	<b>Activity Details</b>
		with Belgium. Some exploration and sampling to the west of Junín (outside of the current Cascabel Project licence area) was undertaken and additional samples were collected for analysis by RTZ. A database was compiled containing 9,120 samples.
1988 to 1991	Lumina Gold Corp. (formerly Odin Mining and Exploration Ltd.)	Lumina Gold Corp. (formerly Odin Mining and Exploration Ltd.) conducted limited stream sediment sampling in the Cascabel Project. Anomalous Cu, Pb, Zn and Ag results were obtained in an area controlled by mainly propylitic alteration. Despite this, Lumina Gold Corp. did not continue its work and the licence was returned to the Government of Ecuador.
1991 to 1997	Japan International Cooperation Agency of the Metal Mining Agency of Japan ("JICA")	Detailed exploration studies were conducted by JICA in Junín area adjacent to the Cascabel Project. These led to the discovery of porphyries that intrude the Apuela batholith and concluded that the mineralization is associated with zones of sericitic alteration and facies of granodioritic porphyries. Using the available geological data, preliminary mineral resource calculations (not considered NI43-101 compliant) were made for Junín (not located within the Cascabel Project). The Cascabel Project is regionally in the same belt of mineralization.
1998 to 2000	Government of Ecuador	Under the Mining Development and Environmental Control Project along the western Cordillera, the Government of Ecuador collected 15,175 stream sediment samples. Samples were analysed using 38 elements' ICPs. The location of each sample was recorded which allowed geochemical analysis of the results for each element and these to be related to different parts of the cordillera and its geological environment. These data allowed the geochemical provinces of the western Cordillera to be defined. The Parambas sector, which contains the Cascabel Project, was considered as a Cu-Pb-Zn-Ag-Au epithermal deposit, consisting of irregular veins in an area of propylitic alteration and locally siliceous. The mineralization may be related to the volcanic activity of the San Juan de Lachas unit.
2008 to 2011	SBCG	SBCG, a private company, applied for the Cascabel Project licence from the Government of Ecuador, along with other concessions. In 2008, SBCG submitted an environmental impact study to the Ministry of the Environment.
2011 to 2012	ENSA	Cornerstone, through ENSA, purchased the Cascabel Project from SBCG in February 2011 and conducted regional geochemical exploration and reconnaissance mapping programmes. This work identified widespread Cu-Au-Mo-Pb-Zn-Ag geochemical anomalism in the Parambas, Moran and Cachaco catchments. In April 2012, SolGold, through ENSA, assumed management of the project and conducted the first systematic exploration on the tenement. In May 2012, SolGold geologists discovered porphyry-related stockwork veins in Alpala creek, which led to the drilling program currently underway by SolGold.

## **Geological Setting**

### *Regional Geology*

The Alpala porphyry deposit lies in a zone of overlap between the Eocene and Miocene Andean porphyry belts that extend from Colombia through Ecuador and Peru into Chile and Argentina. The basement rocks consist of tholeiitic basalts of the Dagua-Piñon (DAP) terrane (Cedial et al., 2003), an oceanic plateau that is believed to have accreted to South America in the Late Cretaceous (Cruz, 2007). Rohrlach et al. (2015) state that submarine arc volcanism deposited the volcano-sedimentary rock sequence of the Macuchi Formation during the Palaeocene through the Eocene, followed by the sub-aerial deposition of volcanic and volcanoclastic rocks of the San Juan de Lachas Formation during the Oligocene to mid-Miocene. Late Eocene to Miocene age plutons and stocks of hornblende-bearing diorite, quartz diorite and tonalite form major intrusive complexes, known as the Santiago batholith (Eocene)

and Apuela batholith (Miocene). The Apuela batholith hosts the Late Miocene Junin copper-molybdenum porphyry deposit, estimated to contain 982 Mt at 0.89 % Cu (Gribble, 2004).

The Chimbo-Toachi fault zone (CTFZ) is a major north-northeasterly trending structure that separates Eocene magmatism to the west from Miocene magmatism to the east. The CTFZ cuts through both the Macuchi and San Juan de Lachas Formations and juxtaposes these sequences against Cretaceous sedimentary rock units.

The leading edge of the subducted portion of the Carnegie Ridge lies beneath the northernmost portion of Ecuador, including Cascabel. This buoyant, aseismic submarine plateau is inferred by Gutscher et al. (1999) to have commenced subduction beneath Ecuador in the Late Miocene, which is after the formation of the Eocene Alpala deposit.

Cascabel regional geology, showing location of Alpala deposit (magenta star) and Cascabel project (yellow polygon).

### *Local Geology*

The Cascabel Project lies along the western foothills of the western Cordillera. The Cauca-Pujili fault zone is defined by the series of sub-parallel structures located midway between Otavalo and the Apuela batholith. The Toachi fault is a major structure that is sub-parallel to the Cauca-Pujili fault zone, and is mapped near the El Corazon deposit on the southwest side of the Apuela batholith. The mapped extension of the northeast-trending Toachi fault, to the northeast of the Apuela batholith, runs through the Cascabel Project and several kilometres west of Chical.

Magmatism in northern Ecuador is typified by the lack of a well-developed volcanic arc and with erratic pluton distribution consistent with shallow subduction systems. There is a crude migration of the focus of magnetism from west to east reflecting post-Eocene shoaling of the subducting Farallon plate. The northwestern granodiorite batholith is believed to be of the Cretaceous age and may have been emplaced in the DAP terrane prior to its docking against the mainland. In contrast, the Apuela batholith (which hosts the Junin porphyry deposit) is of the Miocene age, and the intrusive complexes south of the Cascabel Project, and at Chical, are also interpreted to be Miocene age. This belt of Miocene age intrusives extends into southern Colombia and hosts the porphyry deposits at Piedrasentada-Dominical (Miocene), El Tambo (Miocene) and Piedrancha (Eocene).

The Apuela batholith sits astride the Toachi fault and likely intruded along the fault plane. This structure is consequently inferred to penetrate to or near the base of the crust, facilitating mid-to-upper crustal emplacement of batholiths, including the Apuela batholith. The Apuela batholith comprises a nested series of intrusives that include quartz porphyry, granodioritic porphyries and diorite porphyry, all of which are different intrusive facies of the larger composite batholith.

The principal deposits and prospects of various regions in the Cascabel Project are summarized as follows:

Region	Description of Principal Deposits and Prospects
Junin to Enami	Porphyry Cu-Mo (318 Mt at 0.70% Cu and 0.026% Mo).
Cuellaje	Pb-Zn-Ag occurrence near the east border of the Apuela batholith is related to a porphyry Cu system.
Pacto to Enami	Low-sulphidation epithermal quartz veins (bonanza grades up to 108 g/t Au).
Chical	Epithermal vein system in proximity to a Miocene age intrusion near the Colombian border.
El Corazon to Skeena Resources (50%)	Epithermal Au, Ag and Cu vein system and siliceous hydrothermal breccias (6.4 Mt at 1.7 g/t Au).
Rio Amarillo	Au, Ag and Cu occurrence related to epithermal veins and porphyritic intrusions. A Cu skarn is reported at Rio Amarillo.

### *Property Geology and Mineralisation*

The major rock types of the Cascabel tenement consist of Cretaceous siltstones and minor sandstones, which are locally calcareous, that are unconformably overlain by a Tertiary sequence of andesitic volcanoclastic rocks, lavas and

volcano-sedimentary rocks. A series of hornblende-bearing diorites, quartz diorites and tonalities intrude the volcano-sedimentary sequence and form plutons, stocks and dykes. Three of these intrusions have been dated by the SHRIMP U/Pb zircon method, which indicates results of ~39 Ma for the Alpala centre and ~37 Ma for Aguinaga (Armstrong, 2015 and 2016). The dykes, faults and fracture zones mapped in the area typically strike northwesterly, northerly and northeasterly.

The volcano-sedimentary host-rock package at Cascabel has been mapped regionally by previous workers (BGS-CODIGM, 1997) to belong to the Oligocene to Miocene San Juan de Lachas Formation. However, this unit is interpreted by SolGold / ENSA geologists to form part of the submarine to transitional emergent, Palaeocene to late Eocene Macuchi Formation (BGS-CODIGEM, 1997; Cruz, 2007), based on the volcano-sedimentary facies recognized in drill-core and the late Eocene ages of intrusions at Alpala and Aguinaga.

Several corridors of Cu-Au mineralisation are recognized on the basis of topographic expression and the 1:500- to 1:2000-scale mapping of copper-bearing quartz veins, sulphide veinlets and fractures. Three major orientations exist, northwesterly, northerly and northeasterly, which are similar to the orientations expressed by the intrusions and faults. A total of 15 Cu-Au targets have been delineated from the results of geological mapping, soil and rock-chip geochemical anomalies and magnetic expression. Many of the targets lie near the intersection of the mineralised corridors. The main targets consist of the greater Alpala porphyry cluster, Carmen, Trivinio, Moran, Parambas, Aguinaga, Tandayama-America and Chinambicito. The Alpala porphyry cluster includes from northwest to southeast: Alpala West, Alpala NW, Alpala Central, Alpala East, Hematite Hill, Alpala South, Alpala SE and Cristal.

The varying styles of hydrothermal alteration in the tenement area represent the integration of Anaconda mapping with TerraSpec™ results from soil and deep-auger samples. Chlorite- and epidote-bearing propylitic assemblages occur proximal to distal to the major porphyry centres of the Alpala cluster, Aguinaga and Tandayama-America. The Alpala porphyry cluster targets, Trivinio and Carmen are associated with quartz-sericite/paragonite+illite (phyllic) zones. Dickite- and pyrophyllite-bearing clay (advanced argillic) alteration occurs over the southernmost part of Alpala Central, Hematite Hill and Alpala East, South and SE. Aguinaga and Tandayama are characterized mostly by kaolinite-illite-smectite (argillic) alteration that overprints small zones of biotite (potassic-) alteration that are surrounded by epidote-propylitic alteration. The sphalerite- and chalcopyrite-bearing epithermal quartz veins hosted by phyllic and propylitic altered volcanic rocks in the Parambas, Carmen and Cachaco areas are inferred to be the distal expression of a porphyry centre(s).

Porphyry-style, B-type quartz veins are mapped at several of the Cu-Au targets in the Alpala cluster and at Trivinio, Moran, Aguinaga and Tandayama-America. The vein abundances in these targets range from <0.5% at Alpala NW, East and SE; through 2.0% at Alpala West, Alpala South, Aguinaga and Tandayama-America; and >5.0% at Trivinio and Moran; to >10% at Alpala Central. The mapping of chalcopyrite/pyrite in outcrop indicates ratios >0.1 at Trivinio, Alpala West, Alpala SE and Cristal; >0.2 at Aguinaga and Tandayama-America; and >0.5 at Alpala Central and Moran. The intermediate-sulfidation epithermal quartz veins at Parambas, Carmen and Cachaco are characterized by chalcopyrite/pyrite >0.5.

The distribution of copper sulphide minerals, malachite, hydrothermal magnetite and hematite support many of the target areas. The Alpala porphyry cluster and Trivinio are characterized by >4 % pyrite in stream outcrops that have undergone feldspar-destructive (phyllic and advanced argillic) alteration. There is a small zone of less than one-percent pyrite that coincides with chalcopyrite/pyrite >0.5 that forms around the discovery outcrop in Alpala Creek. The outcrops at Moran and Tandayama-America and limited stream exposures at Aguinaga are characterized by 0.5 to >2.0 % pyrite.

#### *Alpala Deposit*

Diamond drilling to date has defined a northwesterly-trending, steeply northeast-dipping dike-stock complex of diorite to quartz diorite intrusions that extends more than 1200 m northwest by 600 m northeast and exceeds 1300 m in height. The intrusions are Eocene (Bartonian) and hosted by a sequence of andesitic volcanoclastic rocks, lavas and volcano-sedimentary rocks.

A total of six major phases of intrusion are delineated on the basis of composition and relative timing-relationships with porphyry-related vein-stages. The equigranular to sub-porphyrific, hornblende-bearing intrusions are narrow,



taper upwards and consist of pre-mineralization D10 diorite to microdiorite; early-mineralization QD10 quartz diorite; intra-mineralization QD15 quartz diorite and D15 diorite; and late-mineralization dikes of D20 diorite and QD20 quartz diorite. Thin-section petrography reveals the presence of very fine-grained quartz in the groundmass of the intrusions, which suggests compositions that range from quartz diorite to tonalite. However, the intrusive rock types are classified on the basis of observations made by the field geologist with a 20x hand-lens.

The QD10 quartz diorite is inferred to be the causal intrusion and the source of the majority of the copper and gold in the Alpala deposit. This intrusion consists of at least four tabular, northwesterly-striking, dyke-like bodies characterized by unidirectional solidification textures (UST) along their apical margins. The UST zones discovered to date extend up to 50 vertical meters and consist of coarse-grained, prismatic quartz and magnetite. Radiometric U-Pb SHRIMP dates on zircons return  $39.4 \pm 0.6$  Ma ( $2\sigma$ ) for the early mineralization QD10 quartz diorite intrusion and  $38.7 \pm 0.6$  Ma ( $2\sigma$ ) for a late-mineralization QD20 dike.

Three major steeply-dipping to sub-vertical sets of faults are recognized in the Alpala system, showing strike-directions of northwest, north-northwest and less commonly, northeast. The amounts of post-mineralization offset along these faults are believed to be small.

The porphyry-related vein types and paragenesis at Alpala indicate a systematic progression in time and are described using the nomenclature originated by Gustafson and Hunt (1975). The most important vein types recognized in Alpala. Early-stage, minor and wavy AB-type quartz veins deficient in sulfide minerals are followed by magnetite (M) veinlets. These vein types post-date the formation of the USTs. Planar and through-going, B-type quartz veins cross-cut the early vein types and consist of quartz-magnetite-chalcopyrite. At least two stages of B-type veins are recognized, with magnetite more abundant in early B1 veins and chalcopyrite more common in the later B2 veins. The B-type veins contain the majority of the copper and gold in the deposit. Chalcopyrite-rich, C-type veins contain rare to minor bornite and cross-cut earlier vein types. The C-type veins contain significant amounts of metal but constitute a small volume-portion of the drill-core. The B- and C-type veins are spatially associated with intrusions that show variable feldspar-destructive, sericite-chlorite+clay overprinting of biotite-actinolite and chlorite-epidote alteration mineral assemblages.

Late-stage, pyritic D-type veins with quartz-sericite-pyrite selvages contain chalcopyrite, minor bornite and locally, molybdenite. Many of the later vein stages exploit and re-open earlier vein stages. Anhydrite is a common vein constituent as it is deposited over a wide range of temperatures and re-opens earlier vein stages. Late-stage hydrothermal-matrix breccia bodies and volumetrically small igneous-matrix breccias, including pebble-dikes, typically post-date sericite-chlorite-clay alteration and are locally cut by pyritic D-type veins and anhydrite veins. The breccia bodies cut the volcanic host-rocks and the pre, early- and intra-mineralisation intrusions. A Re-Os date determined by a commercial laboratory on molybdenite in a D-type pyrite-chalcopyrite-bearing anhydrite-quartz vein that cuts a late-mineralization D20 diorite dike indicates  $38.6 \pm 0.2$  Ma ( $2\sigma$ ). The age dates of the QD10, QD20 and late-stage molybdenite are not different in a statistical sense. Hence, the duration of the development of the Alpala porphyry system lies within the  $2\sigma$  error of the dating methods. This equates to a time-span of  $800 \pm 800$  Ka ( $2\sigma$ ).

Early-formed, hydrothermal magnetite occurs within early AB- and B1-type veins, and as monomineralic veinlets, disseminated grains and replacements of hornblende. Magnetite is variably converted to metallic hematite and pyrite in the upper part of the deposit where chlorite-epidote altered intrusions and volcanoclastic rocks are moderately to strongly affected by feldspar-destructive alteration. The earliest formed copper sulfide mineral observed in drill-core consists of chalcopyrite in B-type veins. Chalcopyrite most commonly forms after, and surrounds, cubic and massive pyrite in C- and D-type veins. It also occurs in anhydrite-rich veins and B-type veins that have been re-opened by later vein types. Late-stage bornite is in textural equilibrium with pyrite and chalcopyrite in C- and D-type veins, which suggest that these later-stage veins formed at a lower temperature and a higher sulfidation state than chalcopyrite in early-stage B-type veins (Einaudi et al., 2003).

Scanning Electron Microscopy (SEM) techniques including Backscattered Electron (BSE) imaging and Energy Dispersive X-ray Spectroscopy (EDS) indicate that gold occurs as discrete grains of electrum (typically 65% to 85% Au) that range from 1 to 50 microns in diameter (Muhling, 2014 and 2015). The electrum grains occur within chalcopyrite, bornite, pyrite and rarely quartz and anhydrite. Grains of low-Ag gold (>90% Au) that are 1 to 3 microns in diameter are associated with sulphide grains and occur locally within silicate minerals (Muhling, 2017).

Copper and gold grades show a strong statistical and spatial correlation to the abundance of B-type quartz veins in the Apala deposit. The correlation of copper grades to B-vein abundance for all drill hole assay samples (2 m intervals) through CSD-16 show a Pearson correlation coefficient of 0.82 (Gilbertson, 2017). Copper composite (10 m) interpolant models of 0.3 %, 0.5 % and 0.8 % indicate a spatial coincidence to B-vein abundance shells of 2.0 %, 5.0 % and 10 %, respectively. The majority of the B-veins in the deposit are hosted by pre-mineralisation D10 diorite and early mineralisation QD 10 quartz diorite; lesser amounts of veins occur in the intra-mineralisation QD 15 quartz diorite and D15 diorite; B-veins are rare to absent in the late-mineralisation D20 diorite and QD20 quartz diorite dikes.

The copper (%) and gold (g/t) grade distributions by intrusion type summarized by Gilbertson (2017) for 2 m assay intervals through CSD-17 indicate mean values of 0.70 % and 0.72 g/t for D10; 0.95 % and 1.2 g/t for QD10; 0.30 % and 0.19 g/t for QD15; 0.13 % and 0.13 g/t for D15; 0.09 % and 0.09 g/t for D20; and 0.14 % and 0.14 g/t for QD20. The correlation of gold to copper in drill-hole is high, also showing a 0.82 correlation coefficient for 2 m samples (Gilbertson, 2017). The Au/Cu of these intrusion populations approximates 1.0 with the exception of the QD10, which is characterized by Au/Cu of 1.3. The Au/Cu in the 10 m composite interpolant models increase with increasing copper grades, ranging from about 0.90 at 0.3 % Cu through 1.02 at 0.5 % Cu to 1.20 at 1.3 % Cu. The gold to copper ratio typically exceeds 1.5 in high-grade zones in D10 diorite and QD10 quartz diorite where chalcopyrite-rich C-veins cross-cut early magnetite-bearing B1-veins. Sharp variations in Au/Cu typically indicate the contacts between different intrusion stages.

The discovery of the high-grade Alpa porphyry copper-gold deposit is a direct result of target acquisition in a prospective geological setting within an underexplored region. The early recognition of a large and structurally controlled, hydrothermal alteration lithocap allowed for the focused exploration of porphyry-style mineralisation in an area known for gold-bearing epithermal veins and gold in stream sediments. The discovery outcrop was located by geologists who had a clear idea as to their target and walked all major streams in the focus area.

The early drilling beneath Cu-Au-rich surface exposures and magnetic highs modelled in 3D led to the discovery of the deep high-grade zone in CSD-05, about 18 months after the discovery of surface mineralisation. The recognition of geochemical element zoning has assisted in the tenement-wide exploration and deposit drilling. This zoning is characterized by central Cu-Au; proximal Mo; proximal to distal Bi, Se and Te; and distal As, Mn and Zn. The central portions of the porphyry systems of the Apala cluster, Aguinaga and Tandayama-America show high Cu/Zn and Mo/Mn in soil and rock-chip. Within the Alpa deposit, variations in Au/Cu assist in the delineation of different intrusion stages and show an increase with increasing amounts of chalcopyrite.

The applications of the Anaconda method to geological mapping and drill-core logging have facilitated the identification of more than six major intrusion stages and a vein paragenesis that allows for the prediction of copper-gold grades in the Alpa deposit. The most important indicators of high-grade include the presence of the causal QD10 quartz diorite intrusion(s), increased B-vein abundance and chalcopyrite/pyrite >1.

The availability of man-portable drill-rigs capable of drilling to more than 2000 m depth was critical to discovery. Without these rigs and the local residents who transported the drill equipment to site, the Alpa deposit would not have been found. The access to funding in a difficult investment climate provided the required support to maintain a discovery-based, deep-drilling program.

### *Aguinaga Prospect*

The Aguinaga prospect is centred on a magnetic high anomaly that occupies the southwest slope of a significant hilltop (1,615 m) east of Santa Cecilia. The geology of the region is dominated by an extensive diorite body. The target lies about 3 km south of the site office and 1.3 km to the northwest of the Alpa deposit. The interpreted porphyry centre at the Aguinaga prospect occurs at the confluence of a deep seated regional northwest trending structure with a major northeast trending lineament. It is characterised by a 500 m by 500 m magnetic high surrounded by an annular magnetic-low. This geometry is consistent with a porphyry system characterized by a central magnetic high related to an intrusive centre and a magnetite-destructive halo caused by pyritic phyllic/argillic alteration. A series of magnetic inversion and induced polarization chargeability models infer the presence of a deep rooted system at the Aguinaga prospect.

The hill-top is the locus of significant coincident Cu, Au and Mo geochemical soil anomalies along with Mn and Zn depletion and surrounding halo. Low Mn in soil is possibly related to intense late-stage hydrothermal alteration, while an elevated Zn aureole surrounding this area of low Mn is a metal zonation pattern described at other porphyry centres along the Andean porphyry belt.

Mineralisation is exposed along the upper section of Aguinaga creek, where B-type quartz-magnetite-chalcopyrite-bornite stock-work veining occurs within porphyritic diorite. The full extent of the outcropping mineralisation is not currently known and is accompanied by potassic (biotite) alteration. The outcrop remains open to the north where creek sediments and jungle limit further surface exposure. Rock-saw channel sampling results over the exposed outcrop returned an intersection of 9.0 m at 1.01 % Cu and 0.79 g/t Au.

#### *Other Targets*

The Company has defined a number of other prospective targets from both geophysical and soil geochemical anomalies. While these have seen less exploration than the Alpala deposit or the Aguinaga prospect, most are aligned on similar structural northwest structural trends. Brief outlines of the observed geology at some of these targets are provided below:

Target	Description
Chinambicito	Chinambicito has been defined as a prospect based on reduction to pole magnetic imagery. This data has revealed an annular magnetic anomaly comprising a magnetic low core about 800 m in diameter and a surrounding irregular magnetic high annulus. A K-radiometric high and Cu anomalism in soil samples is partly coincident with the magnetic low core.
America-Tandayama	A strongly magnetic and potassic-altered diorite has been observed while conducting geological mapping but no significant quartz veining has been identified.
Moran	Geological mapping has highlighted the presence of veins of quartz-carbonate-chalcopyrite-sphalerite, with coarse clotted chalcopyrite occurring within a 1 m-wide zone of intense tectonic brecciation and long with some strong argillic alteration.
Trivinio	Outcropping stockwork vein mineralisation has been observed while conducting geological mapping across the Trivino area. This aligns with both magnetic and soil geochemical anomalies which suggests the possible presence of a porphyry centre.
Parambas	Parambas lies around 1 km east northeast of the Alpala deposit. It is characterised by a discrete reduced to pole magnetics high and also an adjoining ovoid three dimensional magnetic inversion model. The area is interpreted as a window through the San Juan De Lacas Volcanics into the older Calcareous arenites, characterised by a coincident molybdenum geochemical soil anomaly. The surrounding area contains several occurrences of altered polymetallic intermediate sulphidation veins.
Carmen	The Carmen prospect is characterised by a series of multi-element soil geochemical anomalies that cluster along Quebrada Carmen, a south-southwest-draining stream located west and northwest of the Alpala field camp. The mineralisation and alteration at Carmen appears to comprise intermediate-sulphidation base-metal bearing veins that are often seen on the margins of porphyry systems. The Carmen target may represent a high-level peripheral position relative to the Alpala porphyry system, with intermediate sulphidation epithermal veins displaying acid alteration haloes and Au-Pb-Zn-Cu-Mo-Ag anomalism.

#### *Deposit Types*

Similar to the composite terrane across South America, the WTR hosts multiple porphyry systems. These are hosted within a linear belt that extends from southern Chile right through to Ecuador and beyond. These bodies host large concentrations of Cu and numerous deposits are in active mining operation. This geological setting is associated with the following mineral deposit types:

- Porphyry Cu: Related to the early stages of magmatism;

- Epithermal Au, low- and high-sulphidation: Associated with volcanic regions above porphyry systems; and
- Polymetallic skarn: Related to hydrothermal fluid flow from granite stocks through pervious, reactive limestone.

The mineralisation observed at the Cascabel Project is considered as a classic porphyry Cu and Au system and exploration has been designed with this interpretation in mind. The Cascabel Project is also considered an oxidised porphyry which leads to a high gold content and a strong magnetite development.

### *Porphyry Copper Systems*

Porphyry systems are major metalliferous sources and can host a number of different deposits. These include porphyry deposits centred on the parent intrusion, and skarns (Cu and more distal Pb/Zn and/or Au), carbonate replacement and sediment hosted Au with increasing distances from the parent intrusion. High sulphidation epithermal deposits may also occur within the lithocaps. Cu porphyry mineralization forms as sequences of quartz-bearing veinlets and disseminated wall rock between vein sets. These tend to define a bulk tapered dyke shaped large tonnage and low grade body of Cu ± Au ± Mo. Oxidised porphyries can lead to a strong magnetite development which acts as an effective exploration tool.

Porphyry Cu systems tend to be Mesozoic in age and hosted in linear belts related to composite plutons and convergent plate boundaries either within continental magmatic arcs or island arcs in association with subduction zones or post-collision volcanism. This type of deposit forms at relatively shallow depths of 1 km to 4 km and relate to fluid supply to magma chambers forming vertical elongate stocks or dyke swarms. Several discrete stocks are often emplaced in one area resulting in clusters or structurally controlled alignments comprising several generations of intermediate to felsic porphyry intrusions. In terms of host rock alteration, porphyry Cu deposits tend to be upwardly zoned from barren to early sodic-calcic, potassic, chlorite-sericite and finally to advanced argillic. Progressive cooling in the system often results in a characteristic overprinting of these alteration assemblages in a process termed as telescoping.

The Andean porphyry belt is a well-documented linear belt that hosts many known Cu porphyry deposits as well as epithermal concentrations of Au, Cu and Ag. The belt extends from southern Chile and Argentina in the south to Ecuador and Colombia in the north. Within this metallogenic belt, these porphyry and epithermal deposits are often located at the intersection between belt and intra-arc fault zones. The majority of these deposits formed during the Miocene; the same era as the intrusive stock-works within the Cascabel Project.

### **Exploration**

This section summarises the work completed by the Company and its partners within the Cascabel Project as at the date of the Cascabel Technical Report. On a whole, exploration has been focussed on the Cascabel Project as well as specific targeting of a number of the priority prospects within the Cascabel Project.

The Alpala porphyry copper-gold deposit is a recent discovery in northern Ecuador. The deposit lies within the Cascabel Project which is about 100 km north of the capital of Quito and 50 km north-north-west of Ibarra in Imbabura Province. The project is located about 20 km south of the border with Colombia and 75 km southeast of the Pacific Ocean port of San Lorenzo. Cascabel lies about 60 km northeast of the Junin (Llurimagua) porphyry copper-molybdenum deposit.

The Cascabel concession consists of a single 50 km<sup>2</sup> (5000 hectares) claim, licensed for advanced exploration by the Ecuador Government. The concession is controlled by Exploraciones Novomining S.A. (ENSA), which is owned by SolGold Plc. (85%) and Cornerstone Capital Resources (15%). The current license was granted in March, 2011 and is valid for 25 years.

Alpala occurs near the overlap of Eocene and Miocene Andean porphyry belts that extend from Colombia through Ecuador and Peru into Chile and Argentina. The deposit formed in the Eocene (~39 Ma; Garwin et al., 2015), which is similar in age to the giant La Escondida and El Abra deposits in Chile (Cunningham et al., 2008).

The earliest documented exploration in the Cascabel project area includes work conducted by the General Director of Geology and Mines (DGGM) in 1980 to 1984 and a cooperative agreement with the Belgium Mission from 1984 to 1985 (Gilbertson, 2017). This work identified quartz veins, stockworks and disseminated sulphides at Parambas Creek in the southern part of the current tenement. An agreement between Rio Tinto Zinc (RTZ) and the Ecuadorian Government in 1986 facilitated the ICP analysis of rock samples from outcrops within the area but the focus of this work was west of Junin, southwest of Cascabel. Lumina Gold Corp, formerly Odin Mining and Exploration Ltd, undertook limited stream sediment sampling in the license area during 1988 to 1991, which generated Ag, Cu, Pb and Zn anomalies. However, Odin relinquished the Cascabel tenement back to the Ecuadorian Government. The Ecuadorian Mining Development and Environmental Control Project (1998 to 2000), with the assistance of the British Geological Survey, completed 1:50,000-scale geological mapping and stream-sediment sampling over much of the Western Cordillera. This work identified Au-Ag-Cu-Pb-Zn-bearing, epithermal-type quartz veins hosted by propylitic- and clay-silica-altered volcanic rocks in the vicinity of Cascabel, including outcrops in the Parambas Creek.

Santa Barbara Copper & Gold S.A. (SBCG) were granted the current Cascabel license area along with other concessions in 2008. Subsequent prospecting, stream sediment- and rock-sampling generated results anomalous in Au, Ag, Cu, Pb and Zn. Cornerstone Capital Resources Inc. purchased the property from SBCG through the establishment of ENSA in February 2011. Prospecting, reconnaissance mapping and a stream sediment survey in June - July 2011 delineated Cu-Au-Mo and Pb-Zn-As rock chip anomalies, as well as Cu-Mo-Au stream sediment anomalies. A central 4 by 5 km area of interest was identified around porphyry-style outcrops in Moran Creek (Rohrlach et al., 2015). Gold-anomalous rock samples, containing > 0.1 to > 1 g/t Au, were collected in Cachaco Creek and Parambas Creek from outcrops that are located < 1 to 3 km from what became the discovery outcrop in Alpala Creek.

In early 2012, after many years of exploration for porphyry copper deposits in the Solomon Islands, SolGold decided to focus on a global search to find a new theatre for exploration. This work was led by then General Manager of Exploration, Dr Bruce Rohrlach, who focussed on the Andes and particularly Ecuador, due to its underexplored status. Northern Ecuador was considered to be attractive and possess the preferred tectonic setting and accretionary terrane model for porphyry copper- gold fertility. The location of the subducted portion of the Carnegie Ridge beneath the region and the proximity of the large Junin copper-molybdenum porphyry system to Cascabel, contributed to the prospectivity of the Cornerstone-held concession.

When SolGold looked at the data available from prior work at Cascabel, the team was impressed by the widespread Cu-Au-Mo anomalies in rock chip samples (3 km by 3 km) and stream sediment samples (5 km by 5 km). Copper was consistently anomalous and there were a significant number of rock chips which returned assays > 1 g/t Au.

In April 2012, SolGold Plc. signed a joint-venture agreement with Cornerstone and assumed technical management of the Cascabel license area.

The discovery outcrop was found in Alpala Creek in May 2012, during reconnaissance mapping by SolGold / ENSA geologists (Rohrlach et al., 2015). The outcrop consists of chalcopyrite- and pyrite-bearing, sheeted, porphyry-style B-type quartz veins, using the nomenclature of Gustafson and Hunt (1975), in quartz-sericite-pyrite (phyllic) altered volcanic rocks. Quartz vein abundance ranges from 2.0 volume-percent over 80 m to greater than 20 volume-percent over 10 m, measured across the northwesterly strike-direction of the steeply northeast-dipping veins. Subsequent channel sample results of the vein zone returned 4.0 m at 0.99 % Cu and 3.30 g/t Au; 33.3 m at 0.65 % Cu and 1.02 g/t Au; and 56.9 m at 0.34 % Cu and 1.16 g/t Au. Exploration has shown that this small stream outcrop forms the upper portion of a cluster of porphyry targets that extends over 2.0 km northwest by 1.1 km northeast, termed the greater Alpala porphyry cluster.

Rohrlach et al. (2015) cite three tenement-scale databases, collected during the second half of 2012, as being significant to the preliminary delineation of the Alpala deposit. A grid soil survey was completed over about 20 km<sup>2</sup> and typically sampled the C-horizon from depths of 1 to 2 m using a hand-auger. Initial sample spacing was 200 m by 100 m, some of which was later infilled to 100 m by 100 m. The soils were sieved to -80 mesh and analysed for Au by fire-assay and multi-elements by ICP. The survey identified widespread geochemical anomalies, including at least four major porphyry centres characterized by coincident Au, Cu and Mo, which consist of the Alpala cluster, Moran, Aguinaga and Tandayama-America. The discovery outcrop lies in the approximate centre of a 1.5 by 2.2 km Mo (>1.4 ppm) anomaly. Alpala, Aguinaga and Tandayama-America are characterized by low Zn and Mn, which when imaged

as ratios with Cu and Mo produce robust anomalies (e.g., bullseyes for high Cu/Zn and Mo/Mn). The Alpala porphyry cluster is characterized by elevated As, Bi, Se and Te in soil. Whereas, Aguinaga and Tandayama-America are low in these elements. This may indicate a higher level of exposure and less erosion for the Alpala cluster than for Aguinaga and Tandayama-America. This interpretation is supported by the occurrence of high-temperature biotite (potassic) alteration in the outcrops at Aguinaga and Tandayama-America and lower-temperature clay-mica (phyllic, intermediate and advanced argillic) alteration at surface in the Alpala cluster.

The TerraSpec™ analysis of the coarse residues from the soil samples, sieved to > 1 mm, was undertaken to assist in the mapping of hydrothermal alteration minerals in zones of variable clay-mica alteration, termed ‘argillic’ when mapped in 2011 – 2012. This approach worked well in the Alpala porphyry cluster, where it identified zoned neutral-to acid-alteration assemblages over an area of 2.5 km northwest by 1.0 km northeast (Rohrlach et al., 2015). This zoning with respect to the discovery outcrop was interpreted to indicate proximal illite (phengite), passing upwards and outwards through kaolinite into dickite and pyrophyllite. This distribution of hydrothermal alteration inferred from the soils was inferred to represent the structurally controlled roots of a lithocap above the Alpala porphyry system(s), as described by Rohrlach et al. (2015).

A helicopter-borne magnetic and radiometric survey was flown over the entire Cascabel tenement in November 2012, using a line spacing of 100 m. The flight lines were oriented north-south. The reduced to the pole images from this data identified a magnetic high / low complex that is broadly coincident with the >1.4 ppm Mo soil anomaly that is centred on the Alpala cluster (Rohrlach et al., 2015).

In the first half of 2013, SolGold / ENSA completed channel sampling using a petrol-driven rock saw and hand-trenching over an area of about 430 m (north-south) by 200 m (east-west) around the Alpala discovery outcrop to delineate the extent of the B-type porphyry-style veins (Rohrlach et al., 2015). Similar sampling was completed at Tandayama-America and Moran during this time. About 400 structural measurements were collected from the B-type quartz veins at Alpala, which assisted in the targeting of drill-holes in the subsequent drill program.

Diamond drilling started on the 1st of September 2013. Drilling was accomplished by man-portable, Hydro Core rigs, modified by the drill contractor, HP Drilling, to penetrate to great depth. Through a series of rig modifications during the course of the 2013 to 2017 drill program, this type of rig has reached maximum depths of 355.7 m PQ, 1005.3 m HQ, 1614.1 m NQ and 2216.8 m BQ. From the start of the drill program through early 2016, access to the drill-sites was by walking track < 1.5 m wide from the nearest village, Santa Cecilia, which lies about 2.5 km north of the Alpala discovery outcrop. All drill-related equipment was transported by pack-burros, local labourers and iron horses, which are petrol-powered, track-driven machines that can carry up to about one tonne. Suffice to say that without man- and donkey-portable drill rigs, capable of routinely achieving depths in excess of 1600 m, the discovery and growth of the Alpala deposit would not have been possible.

The first hole (CSD-13-001) drilled southwest at an inclination of about 61 degrees beneath one of the best surface results of northwesterly-striking, steeply northeast-dipping B-type quartz veins in the Alpala stream (Channel 46). This hole returned 302 m at 0.39% Cu and 0.48 g/t Au from 16 m depth (Table 1). Hole 2 drilled about 63 degrees towards the east to provide a scissor hole, which yielded 292 m at 0.37 % Cu and 0.30 g/t Au from 126 m depth. Hole 3 was drilled 60 degrees to the southeast towards a preliminary ‘magnetic high’ that shifted when remodelled using the MVI algorithm. This hole drilled through the upper halo of the porphyry system, returning 747.3 m at 0.11 % Cu and 0.05 g/t Au from 4 m. Hole 4 was lost in a clay gouge-rich fault zone and did not reach the target.

In November 2013, CSD-13-005 was commenced from the same pad as drill hole 1, oriented 85 degrees towards the southwest to test for the down-dip extension of the near-surface Cu-Au mineralisation intersected in CSD-13-001. The length and high-grades encountered in Hole 5 changed the course of the drill program and indicated the presence of intense Cu-Au mineralisation at depths of about 750 m beneath surface. This fifth hole marks the discovery of the high-grade world-class Alpala porphyry copper-gold deposit, with intervals of 1306 m at 0.62 % Cu and 0.54 g/t Au, including 552 m at 1.03 % Cu and 1.05 g/t Au from 778 m depth. This mineralisation is typically related to chalcopyrite in quartz+magnetite (B-type) veins and chalcopyrite-rich (C-type) sulphide veins that transect variably chlorite-sericite-clay altered diorite and quartz diorite intrusions. The intrusive rocks, mineralisation styles and hydrothermal alteration at Alpala are further described in the subsequent sections of this paper.

Drill Hole 6 drilled more marginal mineralisation above the deposit, chasing a magnetic high. This hole returned results of 821.5 m at 0.14% Cu and 0.17 g/t Au from 580 m, with similar Cu-Au grades to Hole 3. Drill-hole 7 was commenced in May 2014 as a 200-m step-out to the northwest from the pad for Hole 5 and drilled in a similar orientation, 85 degrees towards the southwest. This hole, CSD-14-007, intersected 958 m at 0.40% Cu and 0.17 g/t Au from 654 m, including 235 m at 0.65 % Cu and 0.35 g/t Au.

In July 2014, around the completion of Hole 7, a review of the drill core, geology logs and assay results to date led to a better understanding of the zoning in vein styles, hydrothermal alteration and Cu-Au-Mo-Zn concentrations. A series of hand-drawn cross-sections and preliminary 3D models constructed in Surpac confirmed the following geometric relationships (based on Garwin, 2014):

- Porphyry-style B-veins > 0.5% mark the outer margins of low-grade Cu-Au (~0.2 % Cu and 0.2 g/t Au), with increasing abundances of 2.0, 5.0 and > 10% veins corresponding to increasing Cu-Au grades; high-grade Cu-Au coincides with > 10 % B-veins.
- The ratio of chalcopyrite / pyrite increases with proximity to the Cu-Au core; cp / py > 0.5 indicates proximity to higher grade Cu-Au; cp / py > 1.0 is common in high-grade zones.
- The average of all drill intercepts indicates Au/Cu of ~1; very high-grade zones (+1.5% Cu and +2.0 g/t Au), characterized by chalcopyrite-rich C-veins that cross-cut early magnetite-bearing B-veins, show Au/Cu > 1.5 (note – this understanding came later, in mid-2015).
- A molybdenum halo of >10 ppm in drill-core occurs immediately outside of a high-grade Cu-Au core (+0.7 % Cu and +0.7 g/t Au); visible molybdenite in veins and along fractures is indicative of proximity to high Cu-Au grades.
- Increasing Cu/Zn in drill-core, rock chip and soil acts as a proxy for chalcopyrite/sphalerite and indicates increasing temperatures of mineralisation; higher Cu/Zn provides a vector towards the porphyry centre.
- Late-stage anhydrite veins form a halo that is similar to Mo >10 ppm and indicates proximity to higher grades.
- Late-stage feldspar-destructive (quartz-sericite-pyrite; phyllic) alteration has overprinted the upper portions of the system; higher grade zones are related to intrusions that show variable sericite-chlorite+clay-magnetite-pyrite (intermediate argillic) overprinting of biotite-chlorite-actinolite (transitional potassic) and chlorite-epidote (propylitic) alteration mineral assemblages.
- Minor bornite is late-stage and in equilibrium with pyrite associated with phyllic alteration; bornite is more common in the upper portions of the system and associated with Au/Cu <0.5.

The lack of significant very early, A-type quartz veins (Gustafson and Hunt, 1975), the absence of early-stage bornite in equilibrium with magnetite and the lack of a central biotite (potassic) alteration zone that is not extensively overprinted by mica-rich alteration led the team to believe that the core of the porphyry system had yet to be tested and that deeper drilling would be required. The targeting of deeper drill-holes and step-out holes was assisted through the creation of a series of cross-sections and level-plans that enabled the construction of early 3D models in Surpac and later 3D models using LeapFrog software.

By August 2014, it was apparent that porphyry-style Cu-Au mineralisation occurred along the southwestern margin of an 1100 m by 500 m magnetic complex, which extended from an apex at about 750 m beneath surface to more than 1800 m depth (Rohrlach et al., 2015). Magnetic susceptibility readings of drill-core suggest that the airborne magnetic signature is related to primary (magmatic) magnetite in the intrusions and to hydrothermal magnetite in veins, disseminations and replacements of magmatic hornblende. Magnetic vector inversion (MVI) Geosoft algorithms of the helicopter-borne magnetic data, and the molybdenum halo (>10 ppm Mo) influenced the drilling program through Hole 8, which was started in August 2014. This hole was drilled 85 degrees towards the north from the same pad as Holes 1 and 5 to pierce the apex of the MVI model. CSD-014-008 returned 914.5 m at 0.41 % Cu and 0.44 g/t Au, from 396 m and is open at depth. The decision to terminate the hole was made in response to drilling difficulties and the challenges of the site geologists to visually recognize very fine-grained chalcopyrite in drill-core.

Data Aggregation Method: Intercepts reported using copper equivalent cut-off grades with up to 10m internal dilution, excluding bridging to a single sample. Minimum intersection length 50m. Gold Conversion Factor of 0.89 calculated from a copper price of US\$2.20/lb and a gold price US\$1350/oz for CSD-1 to 18. Gold Conversion Factor of 0.63 calculated from a copper price of US\$3.00/lb and a gold price US\$1300/oz for CSD-19 to 25. True widths of downhole interval lengths are estimated to be approximately 25% to 50%.

A deep penetration Orion – IP/3DMT survey was completed over about 15 km<sup>2</sup> in the tenement area during August 2014. The 2D and 3D modelling of this electrical data show large volumes of high chargeability (>60 milliseconds), inferred to be related to pyrite, to lie above and adjacent to the Alpala drill area and to the southeast, beneath the neutral- to acid-alteration lithocap inferred from the TerraSpec<sup>TM</sup> soil analyses. A deep MT conductor (<120 ohm-meters to depths >2000 m), ~750 m in diameter, is centred west of the Alpala drill area and encompasses the majority of the drill-holes completed as of the writing of this paper.

The emphasis of exploration and drill-targeting shifted in late 2014, with the introduction of the Anaconda mapping method. This method of geological mapping and drill-core logging was developed by the Anaconda geologists at El Salvador, Chile and Yerington, Nevada during the 1960's (Einaudi, 1996; Brimhall et al., 2006). It involves colour-coded mapping of key features of alteration and mineralisation, supplemented by visual estimates of vein- and mineral-abundance, structural measurements and relative timing relationships between different vein types and intrusive contacts. The important aspects of this mapping style include the documentation of the extent and type of hydrothermal mineral replacement of mafic magmatic mineral (usually hornblende) and plagioclase sites. In describing outcrop and drill-core, the estimate of sulphide mineral ratios, such as bornite / chalcopyrite and chalcopyrite / pyrite, are critical and provides vectors toward the centre of the porphyry system.

Surface mapping and core-logging in this hole and relogging of previous drill-holes indicated a series of intrusion stages and vein paragenesis, as is common in porphyry systems elsewhere. The early intrusions are much higher grade than the later intrusions, because the younger intrusions post-date the majority of the Cu-Au-bearing vein stages. CSD-14-009 returned two high-grade intervals, an upper zone of 110 m at 1.13 % Cu and 2.32 g/t Au and a lower zone of 298 m at 1.24 % Cu and 1.72 g/t Au, which are separated by a late-stage dike. The overall interval for the hole is 1327.4 m at 0.57 % Cu and 0.74 g/t Au from 430 m.

The mapping of intrusion stages and faults, B-type quartz vein abundance, chalcopyrite / pyrite and pyrite abundance in Alpala Creek allowed SolGold / ENSA geologists to successfully target Hole 12 in mid-2015. This hole was designed to test the southeasterly strike-extent of a structurally controlled zone of intrusive dikes, increased B-type quartz vein abundance, elevated chalcopyrite / pyrite and low pyrite abundance. CSD-15-012 returned the best intercept in the deposit to date, characterized by 1312 m at 0.67 % Cu and 0.63 g/t Au from 128 m depth. The positive results of this hole validated the application of the mapping method at Alpala and encouraged the geologists to map the Alpala porphyry cluster and adjacent areas at the scales of 1:500 and 1:1000.

A ground magnetic survey was completed over about 30 km<sup>2</sup> of the Cascabel tenement in April 2017. In total, 650 km of total-field magnetic data were acquired from east-west oriented lines spaced every 50 m. This survey produced an exceptionally high-quality product. The reduced to the pole image for the ground magnetics data shows a major zone of magnetite-destruction to occur over much of the Alpala porphyry cluster. This zone of magnetite-destruction is related to intense hydrothermal (phyllic and advanced argillic) alteration that has converted magnetite to pyrite (+hematite) and chalcopyrite from surface to depths of more than 750 m, as determined from drilling. Below this depth, high-grade copper and gold mineralization occurs with magnetite-rich, hydrothermally altered intrusions. The surface projection of the copper equivalent models for 0.7 % and 1.0 % coincide with the zone of magnetite-destruction, which suggests that similar high-grade mineralization may exist along strike in areas where magnetite-destructive alteration occurs. The significant amounts of copper and gold in Hole 24 at Alpala Southeast indicates that copper mineralization is related to the eastern margin of the zone of magnetite-destruction.

The 3D magnetic inversion (MVI) models based on the ground magnetic data in the Alpala region mostly coincide with subsurface mineralised envelopes and reveal a northwest trending line of significant magnetic bodies at Moran, Trivinio, Alpala Northwest, and Alpala Central. The central body defined by the 3D MVI models coincides with the 1.0% copper equivalent model at Alpala Central and defines the current growing exploration target confirmed by drilling.



A Spartan–Orion hybrid, distributed IP/3DMT survey commenced in August with the aim of covering a similar area as the ground magnetic survey. This survey will cover a larger area than the 2014 Orion IP/3DMT survey and provide greater resolution and depth of penetration. The data from both surveys will be merged, where appropriate. The combined electrical survey results will enable detection and modelling of sulphides in 3D. Hydrothermal alteration will also be detected and modelled in 3D by Spartan EM to depths in excess of 3 km. In combination with the ground magnetic data, this electrical survey will allow the delineation and modelling of secondary (hydrothermal) magnetite associated with altered intrusions in the porphyry systems and assist exploration in the tenement area.

A second man-portable drill rig was mobilized to site in September 2015 to commence Hole 13. The highlights of the Cu-Au results for Holes 13 to 25 are summarized in Table 1. Some of the best copper and gold results include: CSD-16-016 – 1145.6 m at 0.63 % Cu and 0.78 g/t Au from 516 m depth; CSD-16-17 – 948 m at 0.60 % Cu and 0.53 g/t Au from 330 m depth; and CSD-17-023R – 1030 m at 0.59 % Cu and 0.90 g/t Au from 490 m depth.

The drilling program has ramped up with the addition of rigs in March, May and July of 2017. As of the 1st of August 2017, five man-portable rigs are on site and 34 drill-holes have been completed for a total of over 44,500m. In mid-2017, deviational drilling technology was introduced to site and daughter holes commenced from parent holes CSD-17-023R, CSD-17-024 and CSD-17-026. Deviational drilling has become an important component of the Cascabel exploration drilling program. Active drill-holes as of the 1st of August include Holes 28 and 29, and the daughter holes to Holes 23R, 24 and 26. The footprint and depth extent of mineralisation are enlarged with the completion of nearly every drill-hole. SolGold / ENSA plan to release a maiden copper-gold resource in late 2017 or early 2018.

A deep-auger soil program was completed in late 2016 to follow-up the soil geochemical anomalies in the Cu-Au target areas. Mechanical auger holes were completed to top of bedrock from depths that range from 2 to 10 m over sampling grids of 200 by 100 m and 100 by 100 m. The samples were passed through a 10-mesh sieve in the laboratory. The -10-mesh fraction was analysed for gold and multi-elements and the +10-mesh fraction was analysed by TerraSpec™. These results provided a better understanding of the rock types, geochemical signature and hydrothermal alteration styles of the target areas. In general, the results of the deep auger program support the data collected previously.

## **Sampling and Analysis**

The following outlines the sample preparation and assay procedures and protocols employed by the Company. Sampling and analysis conducted by SBCG is not discussed below or in the Cascabel Technical Report.

### *Sample Preparation*

All drillcore were processed at the drill site, Alpala field camp and the Santa Cecilia core facility. Following completion of the onsite analytical processes, samples were selected, cut and collected from the drillcore before being transported to one of 3 analytical laboratories for analysis. The authors of the Cascabel Technical Report found that the drill sample preparation, chain of custody and security procedures used by the Company during its exploration campaigns as at the date of the Cascabel Technical Report were adequate and consistent with the generally accepted industry best practices, and observed the following protocols and methods:

- **Geotechnical Logging:** Geotechnical logging of the core is conducted at the Santa Cecilia core yard unless the drill site geologist believes that the core is of insufficient competence to be transported without inducing fractures. In these cases the core is geotechnically logged at the drill site. Logging conducted on the core ahead of any cutting includes measurements of recovery, hardness, fracture interval, fractures per metre, fracture angle, fracture style and rock quality designation.
- **Geological Logging:** A spear tool was used to mark the bottom of holes at 30 m intervals, and the orientation was marked onto the core with a permanent marker along with up- or down-hole arrows whilst it was still contained within the triple-tube. Where possible, core is re-orientated during logging and structures measured as dip/dip direction using a core orientating "rocket launcher" device. Geological logging onto standardised paper logs is conducted at the main exploration camp at Rocafuerte. This includes standard geological factors such as lithology, texture and grain size.

- **Core Photography:** Core photographs were taken systematically on both wet and dry core either at the drill site or the Alpala field camp to show the state and quality of the drillcore prior to logging and sampling. Photographs of cut core are not systematically taken.
- **Specific Gravity Analysis:** Specific gravity analysis was undertaken using a wax method on selected sections of whole core approximately 10 cm in length. Measurements were taken at a rate of 1 per core tray, and made prior to cutting for sampling. Cores were sawed orthogonally to provide smooth ended core-cylinders, before being placed into a small drying oven for 10 to 12 hours. Cores were then weighed to provide mass of dried, unwaxed core in air. Dried core was then coated in wax, before a second measurement of the mass of waxed core in air. Waxed core was then submerged in water and re-weighed to provide mass of submerged, waxed core. Specific gravity was then calculated using the assumed density of paraffin wax of 0.914 g/cm<sup>3</sup>. The current project database contains 2,373 specific gravity measurements.
- **Sample Selection and Mark-up:** Prior to cutting and collection of samples, all cores are marked up for sampling. A standard sampling interval of 2 m was selected by the Company, although smaller samples were used in significant zones ( $\geq 25$  cm) of massive sulphide. In these situations, the massive sulphide zone was sampled to its margins, and the sampling interval returned to even number depth intervals (e.g. 2 m, 4 m, 6 m, etc.) as soon as possible after the interval. Where there are extended intervals of barren rock, while all cores are marked up for sampling, samples are only taken every 6 m. This approach allowed for infill sampling at consistent 2 m intervals if required.
- **Core Sawing:** Before cutting, all core is marked up by a geologist or competent core technician, ensuring that representative half core was created. Two petrol driven core saws are operated at the Rocafuerte exploration camp, alongside the logging facility. All core is split longitudinally. Following splitting, all core is returned to the core trays prior to being selected for sampling. Intervals of highly broken core that may have been washed away by the water supply are wrapped in plastic and/or masking tape to increase the retention of fines. Intervals of extremely broken or fragmented core or clay rich core were left in the core tray without sawing, and split during sampling by cleaver and spatula.
- **Sample Collection:** Half core is sampled, including coarse and fine rock fragments. Where there is significant fine material, a trowel is used to ensure that no less than 50% of the fines were included in the sample. All material is placed into high strength plastic sample bags, which are in turn placed into calico sample bags. Sample numbers are written on the exterior of the calico bags with a waterproof marker, and a corresponding barcoded plastic sample ticket placed into each bag.
- **Magnetic Susceptibility Analysis:** Following sampling of the core, magnetic susceptibility measurements are taken of the half core samples over the length of each hole at 2 m intervals. All measurements were taken using a KT-10 magnetic susceptibility metre manufactured by Terraplus.
- **Sample Security:** Samples are packaged on site by the Company and dispatched periodically to one of the three assaying laboratories via two sample preparation laboratories in either Cuenca or Quito. Sample security and dispatch forms are completed for each shipment documenting the number and type of samples to be received by the laboratory. A Company driver transports the samples to either the ACME preparation laboratory in Cuenca (ACME or Met-Solve assaying), or the ALS preparation laboratory in Quito (ALS assaying). The authors of the Cascabel Technical Report are of the opinion that these sample security procedures are adequate for a project at this stage of exploration.

Channel samples taken with the use of a rock saw are collected at either 1 m or 2 m intervals, bagged and labelled using the same procedures as detailed for drill core above.

#### *Sample Analysis*

The authors of the Cascabel Technical Report found that the analytical procedures used by the Company during its exploration campaigns as at the date of the Cascabel Technical Report were adequate and consistent with the generally accepted industry best practices. It is the opinion of the authors of the Cascabel Technical Report that it has been

provided with all relevant information and no data has been withheld during the production of the Cascabel Technical Report.

The assaying of drill core and channel samples collected during the Company's exploration programmes has been performed by one of 3 independent accredited laboratories that have been commissioned by the Company: (i) ACME, Vancouver, (ii) ALS Geochemistry, Lima; and (iii) Met-Solve, British Columbia. All soil samples for the Cascabel Project have been submitted to ACME Laboratory. Current rock, channel and drill core samples are to be submitted to ALS.

At the ACME Laboratory in Cuenca, all rock, channel and drill core samples are prepared using standard rock preparation procedures (ACME Code: R200-250/PRP70-250) including crushing (1 kg to  $\geq 70\%$  passing 10 mesh (2 mm)), splitting (split to 250 g) and pulverising ( $\geq 85\%$  passing 200 mesh (75  $\mu\text{m}$ )). Prepared samples are then assayed by ACME Laboratories in Vancouver using two methods. Gold is measured by fire assay using a 30 g sample with an AAS (Atomic Adsorption Spectrometry) finish (ACME Code: G601/FA430). Four-acid digestion and ICP-ES (Inductively Coupled Plasma – Emission Spectrometry) finish on a 0.25 g aliquot (ACME Code: 1E/MA300) is used to determine 36 elements. This method of multi-element analysis is only partial for some S-, Cr- and Ba-bearing minerals and some oxides of Al, Hf, Mn, Sn, Ta and Zr. Volatilisation during fuming may result in some loss of As, Sb and Au. Soil samples submitted to ACME undergo SS80 preparation (dry at 60°C; sieve 100 g to -80 mesh), followed by AQ201 Aqua Regia 1:1:1 digestion ICP-MS analysis for 36 elements.

Samples sent to ALS Laboratories in Quito are prepared by crushing (CRU-31), logging (LOG-22), weighing (LOG-24), pulverisation of 1 kg to 85% passing 75  $\mu\text{m}$  (PUL-32) and splitting (SPL-21), before being transferred to a new sample bag (TRA-21) and re-weighed. Prepared samples are then dispatched to ALS Lima, Peru for assaying. Two methods were used for analysis of all rock, channel and drill core samples by ALS: an ALS four-acid digest ICP with MS finish for 48 elements (ME-MS61); and the measurement of Au using Au-AA23, a lead collection fire assay with AAS finish on a 30 g sample.

Samples submitted to Met-Solve laboratories in Langley, British Columbia, Canada first undergo sample preparation at ACME's laboratory in Cuenca as detailed above. Once received by Met-Solve, samples are assayed for gold by fire assay with AAS finish (30 g sample, Met-Solve code: FAS-111), and for multi-element analysis by four-acid digestion followed by inductively coupled plasma atomic emission spectroscopy/mass spectrometry with a 0.2 g aliquot (Met-Solve Code: IMS-230).

## Data Verification

### *Data Verification by SolGold*

The Company routinely undertakes data verification as part of its on-going exploration programme. Verifications completed include validation for all tabulated data, including collar and down-hole survey, sampling information, assay and lithology interval data. Validation of sample results from the latest phase of drilling uses standards, blanks and duplicate samples inserted routinely into each batch submitted to the laboratory to a percentage of roughly 7.3%. Further information about the quality assurance and quality control ("QAQC") samples inserted into the Cascabel sample stream is available in Section 11.1 – *Verifications of SolGold* of the Cascabel Technical Report.

It is the opinion of the authors of the Cascabel Technical Report that a routine QAQC programme has been implemented by the Company to monitor on-going quality of the analytical database. This programme is set out for all geologists in a standard sampling protocols document and involves insurance of:

- Certified Blanks – every 50<sup>th</sup> sample and at the start of every drillhole;
- Certified Reference Material ("CRMs") – a selection of 5 CRMs sourced from CDN Resource Laboratories Ltd., Canada, and Ore Research & Exploration, Australia – inserted every 50<sup>th</sup> sample; and
- Field Duplicates – two sets of  $\frac{1}{4}$  core are sampled and inserted as every 30th sample.

Since the commencement of drilling at the Cascabel Project, the Company has introduced 5 different CRMs into the analysis sample stream, sourced from CDN Resource Laboratories Ltd. (Canada) and Ore Research & Exploration (Australia). A total of 296 standards have been inserted into the sample stream as at the date of the Cascabel Technical Report. The certified limits for the respective standards and the results of the standard check samples are set out in Section 11.1.1 – *Sample Quality Assurance and Quality Control Programmes* of the Cascabel Technical Report.

Certified blank material sourced from CDN Resource Laboratories Ltd., Canada and Ore Research & Exploration, (Australia), has been inserted into the sample stream at a frequency of approximately 2% to 3%. A total of 336 blanks have been inserted into the sample stream at the Cascabel Project. The certified limits for the blank material are set out in Section 11.1.1 – *Sample Quality Assurance and Quality Control Programmes* of the Cascabel Technical Report.

For intervals of core assigned as a field duplicate sample, two ¼ core samples are submitted concurrently to serve as the pair. As at the date of the Cascabel Technical Report, 441 field duplicates have been collected at an average of around 20 per hole, and a frequency of approximately 3% of the sample stream. The authors of the Cascabel Technical Report note that there is a strong positive correlation between the parent and field duplicate assay results for Cu and Au. The limited outliers within the Au duplicates is considered to be a reflection of the geological variability and (resultant) heterogeneity of the mineralisation in the drill core.

#### *Data Verification by SRK*

In accordance with NI 43-101 guidelines, James Gilbertson and Fernando Saez, from SRK and SRK Consulting (Peru) S.A. respectively, visited the Cascabel Project from June 13, 2016 to June 17, 2016 accompanied by Benn Whistler of the Company. The purpose of the site visit was to: (i) review the digitalization of the exploration database and validation procedures; review exploration procedures; define geological modelling procedures; (ii) examine drill core; (iii) interview project personnel; and (iv) collect all relevant information for the preparation of the Cascabel Technical Report. During the visit, particular attention was given to the treatment and validation of drilling data. The site visit was also aimed at investigating the geological and structural controls on the distribution of porphyry style veining and copper and gold mineralisation in order to aid the construction of three dimensional models.

The authors of the Cascabel Technical Report note the current orientation procedures or data conversion and/or data entry may require amendment, and that orientation data are currently considered uncertain. These errors are normally due to a combination of human error, from the initial mark-up by the driller (marking top/bottom of core, understanding how equipment works), the technicians/geologists drawing the orientation line imprecisely, the geologist measuring the orientation of the structure without re-orientating properly, inconsistent alpha/beta measuring techniques, etc.

The authors of the Cascabel Technical Report reviewed the data collection methodologies during the technical site visit, and has undertaken a review of the assay and geology database provided by the Company. Assessment of the current QAQC data indicates the assay data for the drilling and sampling to date has appropriate accuracy and precision. The authors of the Cascabel Technical Report also concluded that the move to ALS and Met-Solve laboratories has improved the sampling precision. The authors of the Cascabel Technical Report have recommended that, with the project at its current level of exploration, the sample QAQC programme be expanded, so that the insertion frequency is increased to approximately 15%, and that the following be employed:

- CRMs and blanks inserted in a randomised approach;
- Coarse blanks utilised to assess potential contamination at the sample preparation facility;
- Pulp duplicates inserted as well as field duplicates; and
- Periodic checks that assay programmes are employed where stored pulps are selected in a way that honours the original statistical spread of assays and are re-assayed at a separated umpire laboratory.

The authors of the Cascabel Technical Report's database suggests that the Company's approach is reasonable and appropriate. Notwithstanding this, The authors of the Cascabel Technical Report recommend that, as the project grows in data, a more robust access based data storage be employed to limit potential human transmission errors.

In relation to drillhole structural data, the authors of the Cascabel Technical Report recommend a visual comparison of outcrop data with drillhole data to check the quality of the drillhole measurements and to identify likely erroneous orientation measurements. This should be followed by the re-marking of orientation lines along the entire length of the drillhole ensuring that the orientation lines are accurate. According to the authors of the Cascabel Technical Report, procedures should be put in place for high, medium and low confidence orientation lines to be drawn. Arrows, indicating the down-hole direction, should be added to the orientation line to avoid "way up" confusions whilst measuring the structure. If the drill core cannot be oriented, then no orientation line should be drawn and no measurements taken; no information is better than wrong information. High confidence orientation lines should only be drawn when at least 3 or 4 complete runs of core can be well fitted together and the orientation "marks" line up accurately.

### **Mineral Processing and Metallurgical Testing**

In August 2014, preliminary metallurgical studies were conducted by Bureau Veritas Commodities Canada Ltd., Inspectorate Metallurgical Division in Vancouver on 3 composite samples taken from drillhole CSD-13-005 at Alpala. The 3 composite samples have been selected from increasing depth intervals. Metallurgical testwork was undertaken in order to study the recovery of Cu and Au in the 3 composite samples. The samples were selected to represent higher-grade intersections and were prepared from coarse rejects. The coarse reject samples were recovered from the ACME sample preparation laboratory in Cuenca, Ecuador, riffle split, packaged and exported to Vancouver. The results and laboratory comments included below have been extracted from the summary report "Metallurgical Testing of Samples from the SolGold Cascabel Porphyry Cu-Au Project in Ecuador", produced by the Inspectorate Metallurgical Division in August 2014.

A brief description of the origin, geology and mineralogy of each sample has been summarized in the table below:

<b>Composite</b>	<b>Description</b>
1	Composite 1 consists of 24 contiguous, 2 m long samples from CSD-13-005. The composite sample covers the interval of 802 m to 850 m depth from surface with a calculated average grade of 0.94 g/t Au, 0.99 g/t Mo and 1.03% Cu and a total bulk sample weight of 73.52 kg. The composite sample consists predominantly of early (pre-, possibly syn-, mineralisation) porphyritic quartz diorite with intermediate argillic and potassic alteration.
2	Composite 2 consist of 24 contiguous, 2 m long samples from CSD-13-005 selected over the interval of 934 m to 982 m depth from surface. Calculated average grade of the sample is 0.57 g/t Au, 5.83 g/t Mo and 0.67% Cu and a total bulk sample weight of 72.49 kg. The sample consists predominantly of fine grained, equigranular to sub-porphyritic, with pre-, possibly early mineral intrusion, diorite with intermediate argillic and potassic alteration.
3	Composite 3 consist of 24 contiguous, 2 m long samples from CSD-13-005 selected over the interval of 1,098 m to 1,146 m depth from surface. Calculated average grade of the sample is 2.35 g/t Au, 4.07 g/t Mo and 1.87% Cu and a total bulk sample weight of 71.54 kg. The composite sample consists predominantly of early, pre-, possibly syn-, mineral, medium grained diorite with sub-porphyritic texture. Alteration is intermediate argillic and potassic.

#### *Test Work Program Overview*

The program tested 3 composite samples of various grades and mineralogy as described above and included sample preparation, head assay, mineralized material hardness, grindability, flotation test work and mineralogy. A summary of the test work (after Cornerstone) is summarized in the table below:

Test	Details	Comment
Sample Receipt and Inventory	Check inventory of samples submitted	Check samples against client list and air-dry
Sample Preparation	Samples crushed, mixed and riffle split	Head assay aliquots riffle split from the main sample
Head assay	Inductively coupled plasma mass spectrometry	Assayed for Cu, Au, sulphur, 30-element and whole rock analysis
Bond Mill Work Index	Bico-Braun laboratory mill	Hardness
Test Grinds	Three tests on each composite for varying grinding times	Develop a grind time versus P80 sizing curve
Rougher Flotation Kinetics	Scoping level flotation tests on each composite at 3 grind sizes to establish a grind versus recovery basis	Products analysed for Cu, Au and sulphur
Rougher Flotation Optimization	Using optimum grind size and flotation times from the kinetic testing, 4 additional rougher tests to be conducted	Using various pH and reagent schemes
Cleaner Flotation	Using the optimum grind and rougher kinetics parameters, a 3 stage cleaner circuit test with and without regrind	Products analysed for Cu, Au and sulphur
Size by Assay Analysis	Rougher scavenger tailings to be screened to 7 size fractions and undergo screen by assay	Each fraction assayed for Cu, Au and sulphur to calculate metal and mineral distribution
Mineralogy	Particle Mineral Association study using QEMSCAN (if required)	Mineral composition and deportment, associations, liberation characteristics, effect of primary grind, and size elemental mineral analysis

### Summary of Test Results

A summary of the head assay results is presented in the table below:

Head Assays								
Composite 1			Composite 2			Composite 3		
Au g/t	% Cu	% S	Au g/t	% Cu	% S	Au g/t	% Cu	% S
1.08	1.05	2.43	0.54	0.67	5.95	2.21	1.8	7.57

Three different grind sizes were produced from each composite to establish grind versus recovery. Timed rougher concentrates were collected and assayed from the rougher kinetic flotation. A conventional reagent scheme using lime to pH 9.0, potassium amyl xanthate and methyl isobutyl carbinol as frother were employed.

Test No	Composite	Grind P80 (µm)	% Weight Pull	Rough Concentrate Assay			% Rougher Recovery		
				Au g/t	% Cu	% S	Au	Cu	S
F1	1	128	16.0	5.72	6.18	9.1	91.6	96.5	62.9
F2	1	94	16.5	5.62	6.08	9.3	91.7	96.6	63.1
F3	1	74	17.0	7.98	5.80	9.3	94.2	96.8	63.7
F4	2	120	20.0	2.71	3.30	18.5	93.1	96.5	91.3
F5	2	96	18.7	2.35	3.45	19.1	91.5	96.9	60.05
F6	2	78	18.4	2.51	3.57	20.0	91.9	96.9	61.0

Test No	Composite	Grind P80 (µm)	% Weight Pull	Rough Concentrate Assay			% Rougher Recovery		
				Au g/t	% Cu	% S	Au	Cu	S
F7	3	136	23.2	8.26	8.01	23.8	94.0	98.0	74.1
F8	3	94	21.9	9.49	8.24	26.2	95.0	98.7	74.3
F9	3	72	21.6	9.62	8.62	26.7	95.3	98.8	74.7

Following the rougher circuit test work, it was found that a finer grind did not improve grade or recovery and identified that a coarser primary grind may be acceptable. Additionally, the authors of the Cascabel Technical Report noted that good Cu and Au rougher recovery results were obtained from all 3 composites.

#### *Rougher Flotation Optimization Testing*

Using an optimum grind size and flotation times from the kinetic testing, additional rougher tests were conducted by the authors of the Cascabel Technical Report including studies using different reagent schemes and frother dosages. The details of the rougher circuit testing conducted have been summarized in the table below:

Test	Composite	Rougher Circuit Testing Details
F10	1	Coarse grind. pH increase from natural (8.1 – 8.3) to 10.0
F13	1	Coarse grind, natural pH, collector dosage lower PAX80 to 65g/t A3418 40 to 30g/t
F16	1	Same as F1, continued with cleaner flotation testing
F11	2	Coarse grind. pH increase from natural (8.1 – 8.3) to 10.0
F14	2	Coarse grind, natural pH, collector dosage lower PAX80 to 65g/t A3418 40 to 30g/t
F17	2	Same as F4, continued with cleaner flotation testing
F19	2	Same as F17, continued with cleaner flotation testing
F12	3	Coarse grind. pH increase from natural (8.1 – 8.3) to 10.0
F15	3	Coarse grind, natural pH, collector dosage lower PAX80 to 65g/t A3418 30 to 20g/t
F18	3	Same as F7, continued with cleaner flotation testing
F20	3	Same as F18, continued with cleaner flotation testing

The results of the rougher flotation optimization have been summarized in the table below:

Test No	Composite	Grind P80 (µm)	% Weight Pull	Rough Concentrate Assay			% Rougher Recovery		
				Au g/t	% Cu	% S	Au	Cu	S
F10	1	131	14.7	6.25	7.58	11.2	90.7	95.9	63.6
F13	1	129	11.6	8.21	8.23	12.3	92.3	94.2	58.6
F16	1	129	12.2	7.55	8.10	11.8	90.9	95.7	61.0
F11	2	121	18.4	2.69	3.51	19.6	91.0	96.0	60.1
F14	2	123	17.3	2.30	3.76	21.1	92.3	95.6	59.7
F17	2	127	17.3	3.46	3.8	19.3	93.6	95.2	57.7
F19	2	128	15.6	3.64	4.04	21.5	92.4	94.9	58.2
F12	3	131	21.6	9.36	8.06	25.7	94.8	97.9	73.7
F15	3	129	20.8	10.90	7.84	28.3	95.7	97.2	75.1
F18	3	138	20.0	8.91	8.41	27.4	94.1	97.2	74.2
F20	3	130	19.2	13.29	9.24	28.0	95.5	97.3	73.3

### Cleaner Circuit Testing

Using the optimum grind and rougher kinetics parameters, a 3 stage cleaner circuit test was conducted both with and without a regrind. The details of the cleaner circuit testing have been summarized in the table below:

Test	Composite	Cleaner Circuit Testing Details
F10	1	No regrind, natural (8.1 – 8.3), two cleaning stages
F17	2	No regrind, natural (7.8 – 7.9), two stages cleaning
F19	2	Regrind rougher concentrate to P80 = 33µm, natural (7.6 – 7.8), two cleaning stages
F18	3	No regrind, natural (7.7 – 7.8), two stages cleaning
F20	3	Regrind rougher concentrate to P80 = 43µm, natural (7.7 – 7.8), two cleaning stages

The results of the cleaner circuit test work on the concentrates have been summarized in the table below:

Test	Comp	Ro. Con.			Regrind	2 <sup>nd</sup> Cleaner Concentrate				Cleaner Circuit Recover %			Total Circuit % Recovery		
		Au g/t	Cu %	P80= µm		% Wt	Au g/t	Cu %	S %	Au	Cu	S	Au	Cu	S
F16	1	7.6	8.1	22	No	3.9	21.2	21.1	30.2	89.1	83.1	81.8	81.0	79.5	49.9
F17	2	3.5	3.8	70	No	7.2	7.6	7.5	37.3	93.4	84.3	82.5	87.4	80.3	47.6
F19	2	3.6	4.0	33	Yes	5.4	9.7	10.5	46.6	91.0	88.8	74.2	84.1	84.3	43.2
F18	3	8.9	8.4	128	No	13.1	13.1	12.0	39.2	96.0	92.8	93.3	90.3	90.2	69.2
F20	3	13.3	9.2	34	Yes	7.3	29.8	20.3	41.6	84.9	83.4	56.3	81.1	81.1	41.3

Tests F16, F17 and F18 did not use a regrind. The authors of the Cascabel Technical Report observed that the rougher concentrate from Composite 1 was very fine grained and produced a reasonable final concentrate grade without any regrinding, which is considered to be a function of the mineralogy present in that composite.

### Mineral Resource and Mineral Reserve Estimates

No mineral resource or mineral reserve estimates have been generated from any of the prospects at the Cascabel Project as at the date of the Cascabel Technical Report.

### Mining Operations, Processing and Recovery Operations

There are no mining, processing or recovery operations being conducted at the Cascabel Project as at the date of the Cascabel Technical Report.

### Infrastructure, Permitting and Compliance

The Cascabel Project is largely undeveloped, containing only two small settlements, Santa Cecilia and Urbina. Other than the roads connecting the project site to Quito and onwards to the coast, there is no infrastructure at the Cascabel Project.

Infrastructure in the region and throughout Ecuador is generally accessible, with road access, power and water all readily available in the local area. A major highway (highway E10) connects the cities of Ibarra and San Lorenzo runs along the northern margin of the property, and further highways provide links between Ibarra and the capital Quito. Power generation in Ecuador is dominated by hydro-electric power, with 18 power plants across the state. Currently, 8 new hydroelectric dams are under construction in Ecuador, with the first completed in April 2016. Once fully operational, this power station is set to generate 1,500 MW, with Ecuador aiming for 86% of electricity needs to be



met by hydropower in 2020. A small hydroelectric site is located at Carolinas to the south east of the licence. Its current design capacity is unknown.

### OTHER MINERAL PROJECTS

The Company's interest in various other mineral projects are as follows:

<b>EPM</b>	<b>EPM Name</b>	<b>Principal Holder</b>	<b>Project</b>	<b>Expiry</b>
<b>Queensland</b>				
25245	Mount Perry Consolidated	Acapulco Mining Pty Ltd.	Mount Perry	January 21, 2018
19410	Normanby Consolidated	Acapulco Mining Pty Ltd.	Normanby	June 16, 2017*
18760	Westwood	Central Minerals Pty Ltd.	Rannes	January 22, 2017*
19243	Lonesome	Central Minerals Pty Ltd.	Rannes	January 22, 2019
19639	Goovigen Consolidated	Central Minerals Pty Ltd.	Rannes	October 19, 2017
25300	Cooper Consolidated	Central Minerals Pty Ltd.	Rannes	March 4, 2018
18032	Cracow West	Central Minerals Pty Ltd.	Cracow West	October 11, 2018
<b>Ecuador</b>				
402288	Cascabel	ENSA	Cascabel	April 26, 2035

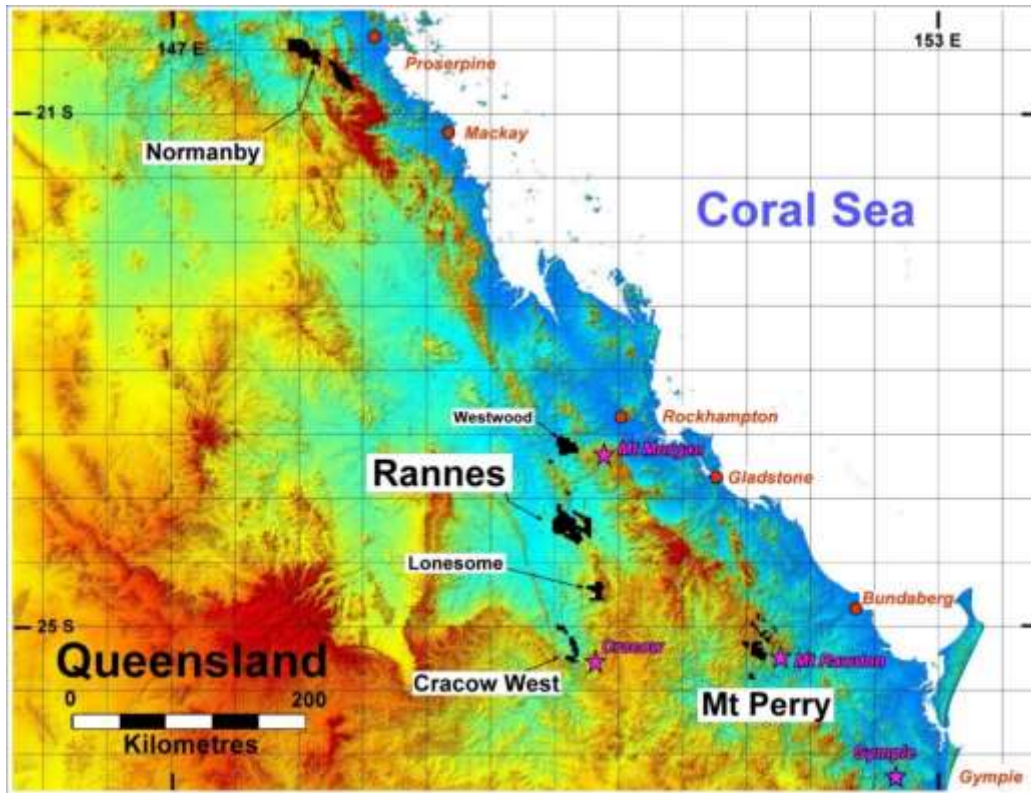
\*Renewal applications have been lodged with the Queensland Department of Natural Resources and Mines and the Company has no reason to believe that such renewal will not be granted.

### **Australia**

In Australia, drill testing of porphyry style copper-gold mineralisation at the Normanby Project, in northern Queensland commenced in early July. A total of 518m of RC drilling from 7 RC drill holes and 89.2m of diamond coring from 1 drill holes was completed at the time of writing.

A reassessment of the range of other projects held in Queensland resulted in definition of detailed work programs that will be put in place as exploration funds become available. Joint venture opportunities are being sought for these projects and it is pleasing to note that there has been much interest by junior exploration and mining companies. However, despite this interest, the continued challenging equities markets are making it difficult for companies to raise the exploration funds to complete joint venture deals and commence exploration.

The group holds 6 major project areas in Queensland at Normanby, Rannes, Mt Perry, Cracow West, Westwood and Lonesome (Figure 6).



**Figure 6:** Location of tenements held by SolGold in Queensland, Australia.

*Mount Perry Project*

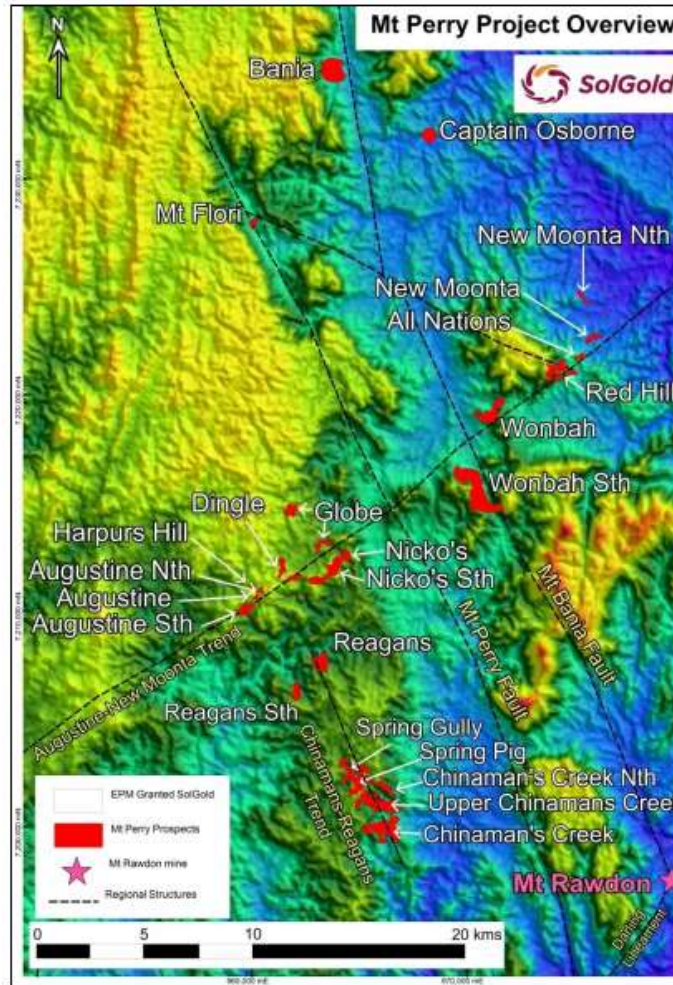
Location: 130 km northwest of Gympie, Queensland, Australia

Ownership: SolGold holds 100% ownership interest through Acapulco Mining Pty Ltd.

Tenement Area: 108 granted sub-blocks (circa 345.6 km<sup>2</sup>)

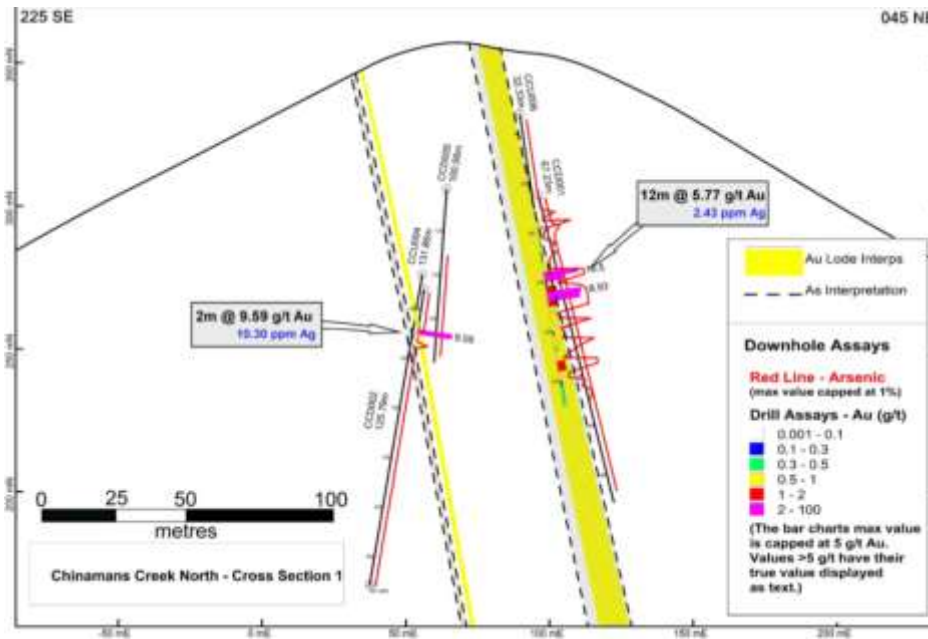
Primary Targets: High grade, lode gold deposits and possible gold porphyry deposits

The Mount Perry goldfield is located 4 hours by road from Brisbane and is host to more than 60 named and numerous unnamed historical mines and workings. The area lies adjacent to the Mount Rawdon gold mine which lies at the intersection of two major geological fault structures; the Mount Bania and Darling lineaments. Exploration at Mount Perry has focussed along 2 mineralized structural zones: (i) the Augustine-New Moonta trend; and (ii) the Chinamans-Reagans trend.

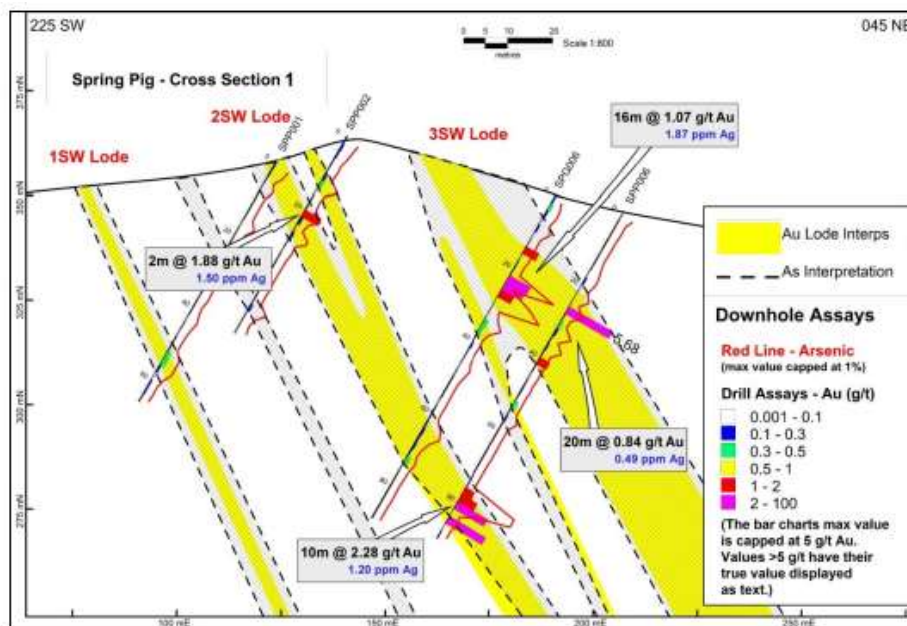


**Figure 7:** Mount Perry Project area, and the Mount Rawdon gold mine and major regional structures.

The Augustine-New Moonta trend extends over a 20 km long northeast trending corridor from Augustine in the southwest to the New Moonta mines in the northeast. Sulphide-mineralized breccia bodies with variable gold, silver, base metals and with occurrences of uranium characterise the Augustine-New Moonta trend. The second target zone is the Chinaman's-Reagan trend. This target zone is characterized by copper-molybdenum porphyries with gold and zinc anomalous halos in the south of the project area, and it merges with the 7 km long and mineralized Chinaman's Creek – Reid's Creek – Spring Creek – Reagan's target immediately to the north. Extensive airborne magnetic and electromagnetic surveys have been conducted over the Mount Perry Project area, together with detailed soil sampling, rock chip sampling and geological mapping surveys. This has been followed by drilling programs that conducted first pass reconnaissance drilling on numerous targets. Exploration at Mount Perry has identified several high grade vein-style targets and lower grade, high-tonnage porphyry-style gold targets. Independent review of the geological resource potential of the area concluded that the prospects have a combined potential to host between 200,000 ounces (base case) and 700,000 ounces (geological potential) of gold. A significant amount of the tenement remains unexplored, leaving the potential for unrecognized prospects to be discovered within the area. SolGold intends to pursue a joint venture partnership in order to continue exploration at Mount Perry.



**Figure 8:** Chinaman's Creek north section displaying interpreted Au and As lodes through the southwest lode (Caledonian Reef) and middle lode.



**Figure 9:** Spring Pig cross section, displaying interpreted Au and As lodes.

*Normanby Project*

Location: 120 km northwest of Mackay, Queensland, Australia

Ownership: SolGold holds 100% ownership interest through Acapulco Mining Pty Ltd.

Tenement Area: 60 granted sub-blocks (circa 192 km<sup>2</sup>)



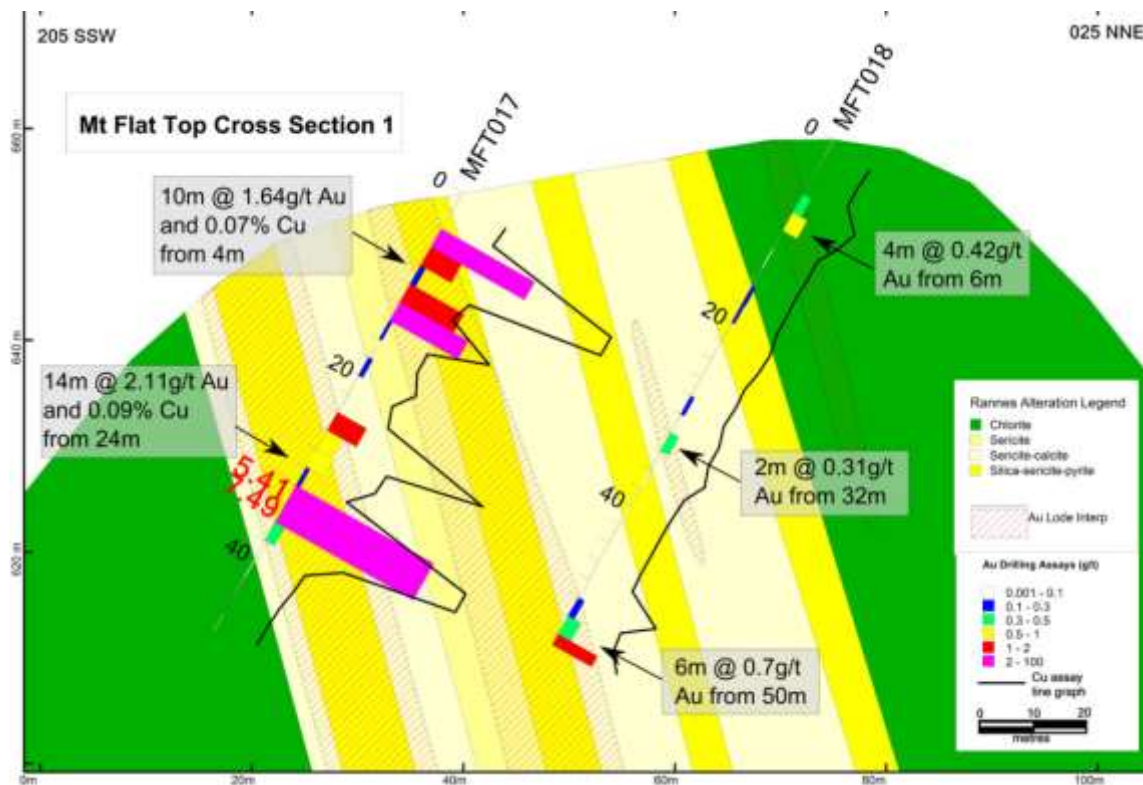
Primary Targets: Cu-Au porphyry deposits and batholith associated gold vein deposits

The Normanby Project is located at the southern margin of eastern Australia's densest cluster of million ounce gold deposits, the nearest of which is the Mt. Carlton Au-Ag mine, located 40km to the northwest of Normanby.

SolGold's exploration to date has focussed around the Normanby Goldfield, a collection of 70 historical workings. Work programs have included extensive stream sediment, soil and rock chip sampling, an airborne magnetic survey and 50 drill holes totalling 1523 metres in length. The most significant intersections were at the Mt Flat Top prospect and included an intersection of 42m grading 1.16 g/t gold and 34m grading 1.22 g/t gold. The mineralisation has the geological features of a porphyry copper system with a high gold to copper ratio. Previous drilling across the Normanby tenement and section interpretation at Mt Flat Top are shown in Figures 22 and 23 respectively.

A second phase of drill testing commenced in early July 2017 to test the lateral and vertical extension of this potential porphyry target. A total of 518m of RC drilling from 7 RC drill holes and 89.2m of diamond coring from 1 drill holes was completed at the time of writing. A significant vertical mineralised structure was intersected in holes MFT19, and MFT17, and a separate shallow dipping zone of mineralisation was also discovered in holes MFT24 and MFT014. Assay results remain pending. Regional-scale stream sediment and

Rock chip sampling has identified numerous anomalous areas, including the Mt Crompton breccia pipe that require follow up work over the coming year.



**Figure 10:** Mount Flat Top cross-section, displaying Au (colour histograms) and Cu (black line) assay grades.

*Rannes Project*

Location: 140 km west of Gladstone, Queensland, Australia

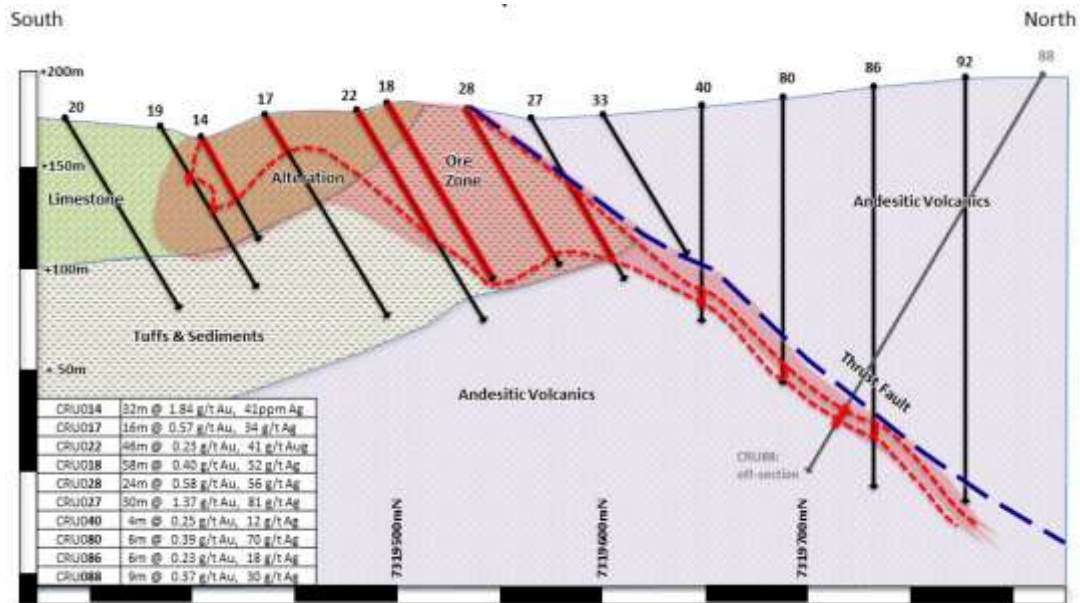
Ownership: SolGold holds 100% ownership interest through Central Minerals Pty Ltd

Tenement Area: 211 granted sub-blocks (circa 675.2 km<sup>2</sup>)

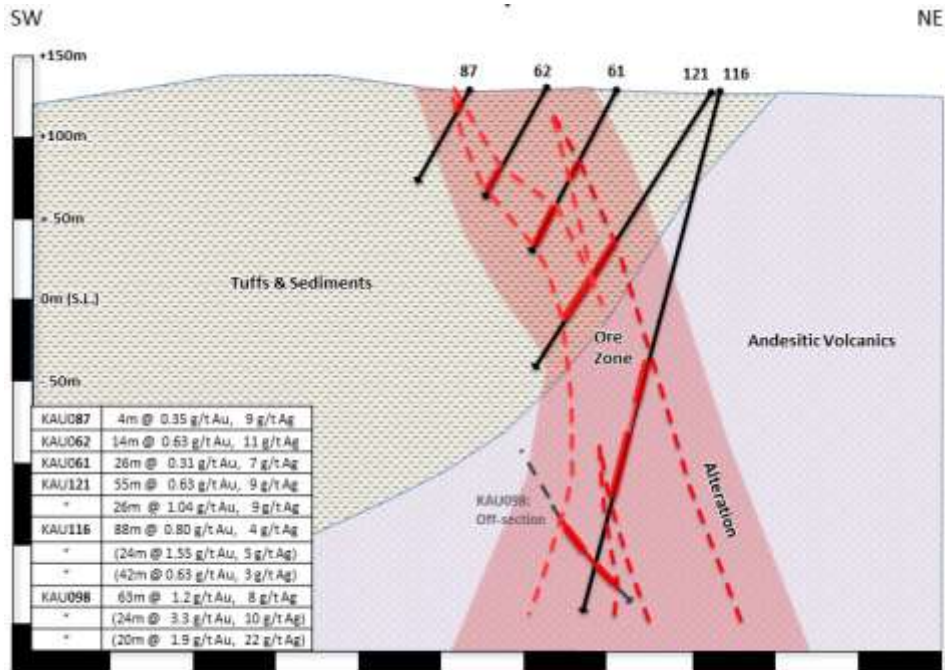
Primary Targets: Disseminated and vein gold and silver deposits

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, geological mapping, and trenching all contributing to definition of additional drill targets at several prospects.

A total of 473 holes have been drilled at the Rannes Project for a total of 58,887 m. Most of this drilling has occurred at Kauffmans prospect (151 holes) and the Crunchie prospect (90 holes), while lower metreage drill programs have been conducted at the Shilo, Cracklin' Rosie, Porcupine, Brother, Spring Creek and Police Camp Creek prospects. The geometry and nature of the Kauffmans and Crunchie systems are well understood (Figures 11 and 12).



**Figure 11:** Cross section trending north-south through the Crunchie Ag-Au deposit, showing drillhole results.



**Figure 12:** Cross section trending southwest-northeast through the Kauffmans Au-Ag deposit, showing geology and alteration over the mineralized zone with key drillhole results.

Mineral resource estimates were completed by Hellman & Schofield Pty Ltd. and by H&S Consulting Pty. Ltd., both of which are independent geological consultancies. The most recent mineral resource estimate 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". Table 2 lists the current resource estimates at the 5 main prospects. These estimates are based on gold to silver ratio of 1:50 and a 0.5 g/t Au equivalent cut-off.

Prospect	Cut-Off (Au.Eq)	Resource Category	M.Tonnes	Au (g/t)	Ag (g/t)	Ounces (Au)	Ounces (Ag)	Ounces (Au.Eq)
Kauffmans	0.5	Indicated	1.58	0.79	10.3	40,304	522,074	50,729
		Inferred	3.49	0.74	8.9	83,060	999,278	103,092
Crunchie	1.5	Indicated	2.4	0.46	42.4	35,833	3,310,000	102,100
		Inferred	3.2	0.49	39.8	49,797	4,040,000	130,676
Cracklin' Rosie	0.5	Inferred	0.43	0.59	5.6	8,023	76,145	9,544
Porcupine	0.5	Inferred	0.57	0.5	7.5	9,202	137,085	11,941
Brother	0.5	Inferred	0.57	0.6	1.1	11,021	20,490	11,434

**Table 2:** Resource estimates at Kauffmans, Crunchie, Cracklin' Rosie, Porcupine and Brother as of May 23, 2012. The gold equivalent values are based on a ratio of 1:50 (Au:Ag). The resource at 0.3 g/t Au cut-off was announced on May 23, 2012.

#### Cracow West Project

**Location:** 260 km west-northwest of Gympie, Queensland, Australia

**Ownership:** SolGold holds 100% ownership interest through Central Minerals Pty Ltd.

**Tenement Area:** 20 granted sub-blocks (circa 64 km<sup>2</sup>)

Primary Targets: Low-sulphidation epithermal Au-Ag deposits

Cracow West is located 15 km to the northwest of Evolution Mining's Cracow gold mine (approximately 1,500,000 ounces of gold). Gold mineralization at the mine is associated with Permian-aged, low-sulphidation, epithermal quartz veins which have been emplaced along northwest and north-northwest trending fault zones. SolGold'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.

SolGold'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 has also been completed over the Kambrook and Dawson Park prospect. This has identified a potential buried target at Dawson Park, which coincides with a distinct soil tellurium anomaly at surface.

SolGold intends to pursue expressions of interest from potential joint venture partners to continue exploration at Rannes Project.

## **OTHER EXPLORATION**

### **Solomon Islands**

On February 10, 2017, the Company (through its wholly owned subsidiary ARM) has applied for the Mbetilonga prospecting licence application in Guadalcanal in the Solomon Islands (the "**Mbetilonga Application**") which covers an area of approximately 46 m<sup>2</sup> and is located approximately 8 km south of the capital of the Solomon Islands, Honiara.

If granted, the Company intends to target porphyry Cu-Au deposits within the area of the Mbetilonga Application.

The Mbetilonga Application is situated with a large nested volcanic collapse structure covering an area of 56 km<sup>2</sup>. The present working hypothesis is that Mbetilonga is a partially exposed porphyry style Cu-Au system, and the presence of apparently stratabound mineralisation represents preferential hydrothermal fluid migration along more susceptible overlying agglomerate horizons. The degree of weathering and alteration renders determination of rock types difficult, however these have been variously described as altered volcanics, agglomerates, porphyries and hydrothermal breccias, but in many instances more closely resemble diatreme breccias.

SolGold has historical familiarity with the area constituting the Mbetilonga Application having previously held (through its wholly owned subsidiary ARM), prospecting licence over substantially the same area from November 2005 until January 2013.

## **DIVIDENDS OR DISTRIBUTIONS**

The Company has not paid dividends since its incorporation. While there are no restrictions precluding the Company from paying dividends, it anticipates using all available cash resources toward its stated business objectives. At present, the Company's policy is to retain earnings, if any, to finance its business operations. The Board will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. See "*Risk Factors*".

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Ordinary Shares**

The share capital of the Company is divided into Ordinary Shares with a nominal par value of 1 pence (1p) each. The Company does not have an authorized capital share. As at the date of this AIF, 1,516,245,686 Ordinary Shares are issued and outstanding.



All of the Ordinary Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and entitlement to any dividends declared by the Company. The holders of the Ordinary Shares are entitled to receive notice of, and to attend and vote at, all general meetings of shareholders of SolGold. Each Ordinary Share carries the right to one vote. In the event of the liquidation, dissolution or winding-up of the Company, or any other distribution of the assets of the Company among its shareholders for the purpose of winding-up its affairs, the holders of the Ordinary Shares will be entitled to receive, on a *pro rata* basis, all of the assets remaining after the payment by the Company of all of its liabilities. The holders of Ordinary Shares are entitled to receive dividends as and when declared by the Board in respect of the Ordinary Shares on a *pro rata* basis.

Any alteration of the rights, privileges, restrictions and conditions attaching to the Ordinary Shares under the Company's Articles must be either consented to in writing of not less than  $\frac{3}{4}$  of the nominal value of the issued Ordinary Shares or with the sanction of a special resolution passed at a separate general meeting of the holders of Ordinary Shares duly convened and held as provided in the Articles.

### Options

As of the date of this AIF, there are 46,762,000 Options exercisable at 60 pence, 31,795,884 Options exercisable at 28 pence and 9,795,884 Options exercisable at 14 pence outstanding. For additional information, see "*Options to Purchase Securities*" and "*Long-Term Incentive Plans*".

## MARKET FOR SECURITIES

### Trading Price and Volume

The Ordinary Shares are admitted for trading on the AIM and the TSX under the symbol "SOLG" and traded on the OTCQB under the symbol "SLGGF". On July 14, 2017, the Ordinary Shares commenced trading on the TSX under the symbol "SOLG".

The following table sets forth the reported high and low prices (including intra-day prices) and the total volume of trading of the Ordinary Shares on the AIM for the periods indicated during the 12-month period before the date of this AIF. On July 21, 2017, the Company announced its intention to apply for admission to trade its Ordinary Shares on the Main Market and cancellation of trading on AIM. On August 18, 2017, the Company announced that it expects this admission to trade on the Main Market and simultaneous cancellation of trading on AIM to occur on October 6, 2017, subject to receipt of necessary approvals.

	<b>High (pence)</b>	<b>Low (pence)</b>	<b>Total Volume</b>
October 2016.....	29.3750	14.2500	238,647,592
November 2016.....	29.8300	20.5100	122,048,000
December 2016.....	26.7500	21.2500	42,850,530
January 2017.....	34.0000	22.7500	72,918,280
February 2017.....	46.0000	29.1250	90,761,347
March 2017.....	43.5000	36.5000	56,243,612
April 2017.....	46.5000	40.2500	77,087,326
May 2017.....	46.7500	42.0000	79,321,364
June 2017.....	46.0000	32.7500	108,047,039
July 14 2017.....	40.2500	38.0000	3,803,885
August 2017	40.5000	35.4350	29,233,175
September 2017 <sup>1</sup>	35.8750	32.7500	8,128,639

<sup>1</sup> For the period September 1, 2017 through September 5, 2017.

## Prior Sales

During the 12-month period before the date of this AIF, the Company issued Ordinary Shares and securities convertible or exercisable into Ordinary Shares as follows:

<b>Date of Issue/Grant</b>	<b>Price per Security<sup>(1)</sup></b>	<b>Number of Securities<sup>(2)</sup></b>
<b>Ordinary Shares</b>		
March 7, 2016	£0.023	131,180,996 <sup>(3)</sup>
August 26, 2016	US\$0.08 (£0.060)	268,819,004 <sup>(4)</sup>
October 14, 2016	US\$0.16 (£0.130)	63,353,339 <sup>(5)</sup>
October 17, 2016	US\$0.16 (£0.130)	142,896,661 <sup>(6)</sup>
January 17, 2017	£0.280	900,000
January 31, 2017	£0.299	100,000
February 3, 2017	£0.280	1,200,000
February 21, 2017	£0.280	900,000
March 1, 2017	£0.384	240,000 <sup>(6)</sup>
June 26, 2017	£0.28	880,000 <sup>(7)</sup>
June 26, 2017	£0.14	880,000 <sup>(7)</sup>
June 22, 2017	£0.410	78,889,080 <sup>(8)</sup>
July 7, 2017	£0.28	1,300,000 <sup>(9)</sup>
July 7, 2017	£0.14	1,300,000 <sup>(9)</sup>
August 11, 2017	£0.3816	690,000 <sup>(10)</sup>
<b>Securities Convertible or Exercisable into Ordinary Shares</b>		
October 17, 2016	£0.140	9,795,884 <sup>(11)</sup>
October 17, 2016	£0.280	9,795,884 <sup>(11)</sup>
November 17, 2016	£0.280	22,000,000 <sup>(12)</sup>
August 9, 2017	£0.600	46,762,000 <sup>(13)</sup>

Notes:

- (1) For Options and warrants, this represents the exercise price per Ordinary Share of the options or warrants, as applicable, to purchase Ordinary Shares.
- (2) For Options and warrants, this represents the maximum number of Ordinary Shares issuable upon exercise of the Options or warrants, as applicable, to purchase Ordinary Shares.
- (3) Represents:
  - a. 5,609,031 Ordinary Shares issued to the directors of the Company on account of fees and remuneration due to them;
  - b. 35,364,320 Ordinary Shares issued to employees, consultants and service providers of the Company upon conversion of amounts owing to them in respect of fees and remuneration;
  - c. 50,271,739 Ordinary Shares issued to DGR Global and Tenstar on conversion of convertible notes issued by the Company on October 2, 2015 (the "2015 Convertible Notes");
  - d. 2,142,457 Ordinary Shares issued to DGR Global and Tenstar in lieu of interest due to them in connection with the 2015 Convertible Notes;
  - e. 35,034,896 Ordinary Shares issued to DGR Global on conversion of a number of loans provided to the Company; and
  - f. 2,758,553 Ordinary Shares issued to suppliers and affiliated parties for cash consideration.
- (4) Represents:
  - a. 196,367,264 Ordinary Shares issued to Maxit Capital and various investors;
  - b. 54,862,500 Ordinary Shares issued to DGR Global on conversion of amounts owing to DGR Global under a loan facility;
  - c. 11,758,038 Ordinary Shares issued to Maxit Capital on conversion of fees owing by the Company to Maxit Capital; and
  - d. 5,831,202 Ordinary Shares issued to management and project staff of the Company and a service provider on account of fees and remuneration due to them.
- (5) Represents 63,353,339 Ordinary Shares issued to Maxit Capital and various investors (and includes Ordinary Shares issued to Maxit Capital on conversion of fees owing to Maxit Capital).
- (6) Represents Ordinary Shares issued to Newcrest International.
- (7) Represents Ordinary Shares issued to directors through the exercise of options.
- (8) The total includes a placement of US\$40,000,000 to Newcrest International.
- (9) Represents Ordinary Shares issued to directors through the exercise of options.
- (10) Represents Ordinary Shares issued to Newcrest International.
- (11) Represents unlisted Options issued to Maxit Capital which expire on October 17, 2018.
- (12) Represents unlisted Options issued to contractors and staff of the Company which expire on October 28, 2018.
- (13) Represents unlisted Options issued to directors, contractors and to a third party as part of capital raising fees of the Company which expire on August 8, 2020.

## PRINCIPAL SECURITY HOLDERS

As at the date of this AIF, no person or company beneficially owns, directly or indirectly, or exercises control or direction over Ordinary Shares carrying more than 10% of the outstanding voting rights attached to the Ordinary Shares other than as follows:

Name	Designation of Class	Type of Ownership	Number as at the Date of this AIF (Percentage)
DGR Global	Ordinary Shares	Registered	204,151,800 (13.46%)
Newcrest International	Ordinary Shares	Registered	220,462,271 (14.54%)
Cornerstone Capital Resources Inc	Ordinary Shares	Registered	170,156,414 (11.22%)

## OPTIONS TO PURCHASE SECURITIES

As of the date of this AIF, there are 46,762,000 Options exercisable at 60 pence, 33,095,884 Options exercisable at 28 pence and 11,095,884 Options exercisable at 14 pence outstanding.

Of these:

- 9,795,884 Options at 28 pence (expiry October 17, 2018) have been issued to Maxit Capital pursuant to the Maxit Subscription Agreement and the Maxit Second Tranche Subscription Agreement. See "*Description of the Company's Business – History – 2016*", "*Maxit Subscription Agreement*" and "*Maxit Second Tranche Subscription Agreement*";
- 9,795,884 Options at 14 pence (expiry October 17, 2018) have been issued to Maxit Capital pursuant to the Maxit Subscription Agreement and the Maxit Second Tranche Subscription Agreement. See "*Description of the Company's Business – History – 2016*", "*Maxit Subscription Agreement*" and "*Maxit Second Tranche Subscription Agreement*";
- 22,000,000 Options at 28 pence (expiry October 28, 2018) have been issued to the Company's employees and contractors;
- 46,762,000 Options at 60 pence (expiry August 8, 2020) were issued to the board, contractors, and a third party as part of capital raising fees, vesting 18 months after issue unless triggered by a change of control transaction.

### Share Incentive Plan

The Share Incentive Plan of the Company was adopted by the Board in July 2017 and approved at the Company's annual general meeting held on July 28, 2017. The Company believes that the Share Incentive Plan is instrumental in securing for the Company and its shareholders the benefits of incentives inherent in share ownership by officers, employees and consultants of the Company who, in the judgment of the Board, will be largely responsible for its future growth and success, through the holding of Ordinary Shares. As of the date hereof, no Options have been issued under the Share Incentive Plan.

The Share Incentive Plan is summarized in the table below. A more detailed summary can be found under the heading "*Long-Term Incentive Plan – Share Incentive Plan*".

<u>Key Terms</u>	<u>Summary of Share Incentive Plan</u>
<b>Securities</b>	An Option entitles a holder (an " <b>Optionee</b> ") to purchase an Ordinary Share at an exercise price set at the time of the grant. Ordinary Shares granted under the Share Incentive Plan will be new Ordinary Shares.
<b>Eligibility</b>	Under the Share Incentive Plan, eligible participants includes the directors, officers and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or corporation engaged to provide ongoing management or consulting services for the Company or a designated affiliate of the Company (or any employee of such person or corporation) are eligible to participate.
<b>Administration</b>	The Share Incentive Plan is administered by the Board or the committee of the Board authorized to administer the Share Incentive Plan, including the Remuneration Committee (the " <b>Committee</b> ").
<b>Exercise Price</b>	The exercise price for Options is determined by the Committee at the time the Option is granted, provided that the exercise price of any Option may not be less than the closing price of the Ordinary Shares on the TSX, or such other principal market upon with the Ordinary Shares are traded, on the last trading day immediately preceding the date of the grant of such Option.
<b>Limitations</b>	<p>The maximum number of Ordinary Shares made available for the Share Incentive Plan shall not exceed 10% of the total number of Ordinary Shares then outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Option.</p> <p>The maximum number of Ordinary Shares issuable to insiders, at any time, pursuant to the Share Incentive Plan and any other share compensation arrangement is 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares issued to insiders, within any one year period, pursuant to the Share Incentive Plan and any other share compensation arrangement is 10% of the total number of Ordinary Shares then outstanding.</p>

See "*Long-Term Incentive Plans – Share Incentive Plan*".

## NEWCREST SUBSCRIPTION AGREEMENT

On August 30, 2016, the Company, Newcrest International and Newcrest Mining Limited ("**Newcrest Mining**") entered into the Newcrest Subscription Agreement, pursuant to which Newcrest International agreed to subscribe for 135,857,401 Ordinary Shares at a price of US\$0.08 per Ordinary Share for aggregate gross proceeds of US\$10,868,592.08. On September 26, 2016, the Company, Newcrest International and Newcrest Mining entered into a deed to vary the Newcrest Subscription Agreement (the "**Further Deed of Variation**"), pursuant to which Newcrest International subscribed for 142,896,661 Ordinary Shares at a price of US\$0.16 per Ordinary Share for aggregate gross proceeds of US\$22,863,465.76. On June 21, 2017, the Company, Newcrest International and Newcrest Mining entered into a third deed of variation (the "**Third Deed of Variation**") to vary the Newcrest Subscription Agreement as amended by the Further Deed of Variation. Under the Third Deed of Variation, Newcrest International subscribed for 76,535,610 Ordinary Shares at a price of US\$0.52 per Ordinary Share in respect of the June 2017 Offering.

### **Board Appointment Right**

Pursuant to the Newcrest Subscription Agreement (as varied by the Further Deed of Variation), the Company granted to Newcrest International a right (but not an obligation) to nominate an individual to be appointed as a director of the

Board for so long as Newcrest International, Newcrest Mining or any wholly owned subsidiary (together, "**Newcrest**") holds at least 10% of the Ordinary Shares of the Company (the "**Newcrest Minimum Holding**") (the "**Newcrest Board Appointment Right**").

Once the nominee is proposed by Newcrest, the nominee must be approved by the Board. Newcrest is only permitted to nominate an individual that: (i) the Board believes, in its reasonable opinion, has the requisite business acumen and relevant experience; (ii) the Board believes, in its reasonable opinion, is suitable to be a director of SolGold; and (iii) is suitable to be a director listed on AIM, as certified or attested to by SolGold's nominated advisor (the "**NOMAD**"), in accordance with the rules of AIM. If Newcrest's nominee meets these criteria, SolGold must take all steps necessary to appoint such person to the Board as soon as practicable.

Any nominee that is proposed by Newcrest and subsequently appointed to the Board shall hold office until the next annual general meeting of the Company following the nominee's appointment. At such annual general meeting of the Company, the nominated director shall stand for re-election to the Board and the SolGold shareholders will have the opportunity to vote on the nominee's re-election to the Board. A nominated director retires by rotation in the same manner as any other director of the Board. Upon a nominated director's regular retirement by rotation from the Board, SolGold shareholders will have the opportunity to vote on the nominee's re-election to the Board. If SolGold shareholders decide not to re-elect a relevant nominee, Newcrest may, subject to maintaining the Newcrest Minimum Holding, nominate a new nominee.

Newcrest has the right to remove its nominee from the Board at any time and may propose a new nominee, in which case SolGold shall take all steps necessary to appoint that new nominee to the Board as soon as practicable, by giving written notice to SolGold. Where Newcrest's current nominee is due to retire by rotation and Newcrest nominate another person as their new nominee: (i) Newcrest must procure that its current nominee retires; (ii) the new nominee will be considered for election at an annual general meeting of the Company; and (iii) the Board will recommend that the new nominee be elected.

In the event that Newcrest's shareholding in the Company falls below the Newcrest Minimum Holding, solely as a result of Newcrest having failed to participate in any future equity raising or due to a voluntary sale of Ordinary Shares by Newcrest, and provided the Company has complied with its obligations pursuant to the Anti-Dilution Right (as defined below), then Newcrest must procure the resignation of its nominated director within 3 business days after the date that it ceased to hold the Newcrest Minimum Holding and Newcrest shall no longer have a Newcrest Board Appointment Right, even in the event that its shareholdings exceeds the Newcrest Minimum Holding at some future date. Should Newcrest fail to procure the resignation of its nominee, SolGold is then entitled to take steps to remove the appointee as director or officer, including seeking a shareholder resolution to remove the appointee and is entitled to be indemnified for all costs and expenses incurred by SolGold in respect of the same.

### **Anti-Dilution Right**

Subject to the passage of any necessary authorised issue resolution and/or disapplication resolution (which the Company must use its reasonable endeavours to secure), if the Company wishes to allot and issue any equity securities either for cash (a "**Further Raising**") or pursuant to a transaction for non-cash consideration (an "**Other Transaction**"), and at that time Newcrest International holds at least 5% of the Ordinary Shares in the Company, then the Company must give Newcrest International the opportunity to subscribe for:

- (a) in the case of a Further Raising, such number of Ordinary Shares in the Further Raising; and
- (b) in the case of an Other Transaction, such number of Ordinary Shares (a "**New Issue**"),

that following the allotment and issue of all Ordinary Shares pursuant to the Further Raising or the Other Transaction (as the case may be, together the "**Relevant Transaction**"), Newcrest International holds the same percentage of Ordinary Shares on issue as it held immediately prior to the Further Raising or the Other Transaction (as the case may be) (the "**Anti-Dilution Right**"). If at the time of a Relevant Transaction, Newcrest International holds more than 10% of the Ordinary Shares, then the Company shall give Newcrest International the opportunity to subscribe for so many Ordinary Shares that following the allotment and issue of all Ordinary Shares issued

pursuant to the Relevant Transaction, Newcrest International holds 10% of the Ordinary Shares then issued and outstanding.

If at any time before a Relevant Transaction, Newcrest International has held less than 5% of the Ordinary Shares on issue as a result of failing to take part in an earlier Relevant Transaction or due to a voluntary sale of Ordinary Shares, then the Anti-Dilution Right ceases to apply.

The Anti-Dilution Right does not apply to an allotment or issue of equity securities that would, apart from any renunciation or assignment of their right to their allotment, be held under an employee share scheme, employee share option scheme, directors and officers share scheme or directors and officers share option scheme.

The issue price of Ordinary Shares issued under a New Issue will be the 10-day VWAP calculated as at the date 10 business days after completion of the Other Transaction.

### **Top-Up Right**

Subject to the passage of any necessary authorised issue resolution and/or disapplication resolution (which the Company must use its reasonable endeavours to secure), if at the beginning of each 6 month period (the first of which 6 month periods commenced on October 18, 2016) (each a "**Relevant Period**") Newcrest International holds at least 5% of the Ordinary Shares and the Company allots and issues equity securities during the Relevant Period either:

- (a) as part of an employee share scheme, employee share option scheme, directors and officers share scheme or directors and officers share option scheme;
  - (b) as a result of the conversion of debt (including the exercise of convertible notes); or
  - (c) upon the exercise of Options over unissued Ordinary Shares,
- (each a "**Top-Up Event**"),

then, Newcrest International will be entitled, at the same time or immediately following the Top-Up Event, to subscribe for so many Ordinary Shares (the "**Top-Up Shares**") so that following the issue of those Top-Up Shares, Newcrest International holds the same percentage of Ordinary Shares on issue as it held immediately prior to the Top-Up Event (a "**Top-Up**") (the "**Top-Up Right**"). However, in the event that the Newcrest International has been issued convertible notes or Options during a Relevant Period and those notes or Options may be converted or exercised, then Newcrest International must first convert those convertible notes or exercise those Options (as the case may be) in order to Top-Up, and if the resulting number of Ordinary Shares issued to it after having done so is insufficient to Top-Up, then Newcrest International may subscribe for Top-Up Shares.

Any Top-Up Shares will be issued at the higher of:

- (a) the conversion price of the last convertible notes converted or the exercise price of the last Options exercised during the Relevant Period;
- (b) the 10-day VWAP calculated as at the date of issue of the Top-Up Shares; and
- (c) the highest subscription price at which a *bona fide* independent third party offers in writing to subscribe for Ordinary Shares representing not less than 5% of the issued Ordinary Share capital of the Company during or at the end of the Relevant Period (the "**Offer**"), on terms acceptable to and capable of acceptance by the Company where:
  - a. the Offer is a cash offer;
  - b. the Offer is made no more than 2 months prior to the end of the Relevant Period; and

- c. a copy of the Offer has been provided to Newcrest International.

If at any time before a Top-Up Event, Newcrest International has held less than 5% of the Ordinary Shares on issue as a result of failing to take part in an earlier Further Raising or due to a voluntary sale of Ordinary Shares, then the Top-Up Right ceases to apply.

On January 31, 2017, the Company issued and allotted 100,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right. The allotment to Newcrest International was priced at 29.9 pence per Ordinary Share, based on a 10-day VWAP.

On March 1, 2017, the Company issued and allotted 240,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right (as defined herein). The allotment to Newcrest International was priced at 38.4 pence per Ordinary Share, based on a 10-day VWAP.

On August 11, 2017, the Company issued and allotted 690,000 fully paid Ordinary Shares with a nominal value of 1 pence per Ordinary Share to Newcrest International, pursuant to Newcrest International's Top-Up Right (as defined herein). The allotment to Newcrest International was priced at 38.16 pence per Ordinary Share, based on a 10-day VWAP.

#### **Undertakings by Newcrest International**

Newcrest International has undertaken to the Company that until October 17, 2019, and unless otherwise agreed:

- (a) in respect of any Relevant Control Proposal that cannot proceed to completion or conclusion without shareholder approval (the "**RCP Shareholder Resolutions**"), to vote in favour of the RCP Shareholder Resolutions, provided that:
  - a. the Relevant Control Proposal is the subject of a favourable report by an independent expert (in the absence of a superior proposal); and
  - b. immediately prior to the consideration of the RCP Shareholder Resolutions at the relevant meeting of shareholders, at least 60% of the votes that may be cast in respect of the RCP Shareholder Resolutions (exclusive of Newcrest International) are in favour of those resolutions;
- (b) in respect of any Offer undertaken as a tender offer to shareholders, accept the Offer, provided that:
  - a. the Offer is the subject of a favourable report by an independent expert (in the absence of a superior proposal); and
  - b. holders of at least 60% of all Ordinary Shares to whom the Offers have been made have accepted the Offer (not including Newcrest International);
- (c) that it will vote on any authorised issue resolution or disapplication resolution in respect of which holders of at least 60% of the votes that may be cast (exclusive of Newcrest International) are in favour of those resolutions and will not (and must ensure that its related bodies corporate do not), directly or indirectly:
  - a. solicit, invite facilitate, encourage or initiate any enquiries, negotiations or discussions;
  - b. communicate any intention to do any of the things described above in paragraph (a); or
  - c. with other shareholders with a view to voting against any authorized issue resolution or any disapplication resolution;

- (d) that subject to the Newcrest Board Appointment Right, it will vote as the Board recommends to shareholders, on any resolution in respect of the appointment or removal of any director (the "**Board Recommendation**") and will not (and must ensure that its related bodies corporate do not), directly or indirectly:
- a. solicit, invite facilitate, encourage or initiate any enquiries, negotiations or discussions;
  - b. communicate any intention to do any of the things described above in paragraph (a); or
  - c. with other shareholders with a view to voting against any Board Recommendation; and
- (e) for so long as Newcrest International holds at least 5% of the Ordinary Shares on issue, neither Newcrest International, Newcrest Mining nor any of their subsidiaries shall (and must procure that their respective representatives and advisers do not) without the prior written consent of the Company:
- a. directly or indirectly solicit, initiate or enter into any discussions or negotiations with any other creditor of the Company, nor purchase or agree to purchase any debt of the Company;
  - b. in any way contact or communicate with, or attempt to contact or communicate with any representative, landlord, customer or supplier of the Company or ENSA or any of their related bodies corporate, except in the ordinary course of business;
  - c. solicit, canvass, induce or encourage any employee of the Company or ENSA or any of their related bodies corporate to leave the employment of the Company or ENSA or any of its related bodies corporate, as the case may be, except where Newcrest International, Newcrest Mining or any of their subsidiaries is:
    - i. advertising employment vacancies in any newspaper, website or other publication or through a recruitment agency or interviewing, negotiating with, and employing any person responding to such advertisement; or
    - ii. employing any person following cessation of such person's employment with the Company without any solicitation or encouragement by Newcrest International, Newcrest Mining or any of their subsidiaries.

### **Technical Advisory Agreement**

Pursuant to the Newcrest Subscription Agreement (as varied by the Further Deed of Variation), the Company and Newcrest International will have agreed to enter into a technical advisory agreement ("**TAA**"), pursuant to which Newcrest International will provide to the Company, at the Company's request, advice relating to, amongst other matters:

- a. exploration activities including the design and implementation of future programs collection and interpretation of data;
- b. prefeasibility and feasibility planning;
- c. mine planning and design;
- d. resource and financial modelling; and
- e. negotiations or permitting, fiscal development planning and implementation.

Newcrest International will be entitled to charge such fees and costs for the provision of services under the TAA as are commensurate with the fees and costs charged for similar services provided throughout the mining and exploration industry, by persons of similar expertise and experience.



As at the date of this AIF, the parties have not yet entered into a formalised TAA.

## MAXIT SUBSCRIPTION AGREEMENT

On August 16, 2016, the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) entered into the Maxit Subscription Agreement, pursuant to which Maxit Capital agreed to subscribe for 12,501,565 Ordinary Shares at a price of US\$0.08 per Ordinary Share for aggregate gross proceeds of US\$1,000,125.20 (the Initial Maxit Subscription). Certain fees were payable to Maxit Capital under the Maxit Subscription Agreement relating to the Initial Maxit Subscription, its role in arranging the conversion by DGR Global of approximately US\$4,398,000 of debt into approximately 54,862,500 Ordinary Shares and its role in arranging the subscription for 181,687,500 Ordinary Shares by a number of other subscribers for aggregate gross proceeds of US\$14,535,000. The total gross proceeds received by the Company pursuant to the Maxit Subscription Agreement was US\$15,709,381. These fees were satisfied by the Company through the issuances of 11,758,038 Ordinary Shares, 5,879,019 Options exercisable at 14 pence and 5,879,019 Options exercisable at 28 pence to Maxit Capital. The Options will expire 24 months after completion of the Maxit Subscription Agreement.

### Board Appointment Right

Pursuant to the Maxit Subscription Agreement, the Company has granted to Maxit Capital the right (the "**Maxit Board Appointment Right**") to nominate (but not an obligation) an individual to be appointed as a director of SolGold, for so long as Maxit Capital holds at least a 1.02% interest in the Ordinary Shares of the Company (the "**Maxit Minimum Holding**").

Once the nominee is proposed by Maxit Capital, the nominee must be approved by the Board. Maxit Capital is only permitted to nominate an individual that: (i) the Board believes, in its reasonable opinion, has the requisite business acumen and relevant experience; (ii) the Board believes, in its reasonable opinion, is suitable to be a director of SolGold; and (iii) is suitable to be a director listed on AIM, as certified or attested to by SolGold's NOMAD, in accordance with the rules of AIM.

Any nominee that is appointed by Maxit Capital and subsequently appointed to the Board shall hold office until the next annual general meeting of the Company following the nominee's appointment. At such annual general meeting of the Company, the nominated director shall stand for re-election to the Board and the SolGold shareholders will have the opportunity to vote on the nominee's re-election to the Board. A nominated director retires by rotation in the same manner as any other director of the Board. Upon a nominated director's regular retirement by rotation from the Board, SolGold shareholders will have the opportunity to vote on the nominee's re-election to the Board. If SolGold shareholders decide not to re-elect a relevant nominee, Maxit Capital may, subject to maintaining the Maxit Minimum Holding, nominate a new nominee.

Maxit Capital has the right to remove its nominee from the Board at any time and may propose a new nominee, in which case SolGold shall take all steps necessary to appoint that new nominee to the Board as soon as practicable, by giving written notice to SolGold. Where Maxit Capital's current nominee is due to retire by rotation and Maxit Capital nominates another person as its new nominee: (i) the current nominee will not be eligible for re-election; and (ii) the new nominee will be considered for election at an annual general meeting of the Company.

In the event that Maxit Capital's shareholding in the Company falls below the Maxit Minimum Holding, solely as a result of the voluntary sale of Ordinary Shares by Maxit Capital, then Maxit Capital must, if directed by SolGold, procure the resignation of its nominated director within 3 business days after the date it ceased to hold that relevant percentage interest and Maxit Capital shall no longer have a Maxit Board Appointment Right, even in the event that its shareholdings exceeds the Maxit Minimum Holding at some future date. Should Maxit Capital fail to procure the resignation of its nominee, SolGold is entitled to take such steps as are reasonably necessary to remove the appointee as director or officer, including seeking a shareholder resolution to remove the appointee and is entitled to be indemnified for all costs and expenses incurred by SolGold in respect of the same.

The Maxit Subscription Agreement contains warranties given by each of the Company and Maxit Capital which expire on the date falling 24 months after completion of the Initial Maxit Subscription. The maximum liability of each of the

Company and Maxit Capital under the warranties is capped at an amount equal to the gross proceeds received by the Company pursuant to the Initial Maxit Subscription. The Maxit Subscription Agreement is governed by the laws of Queensland, Australia.

### **MAXIT SECOND TRANCHE SUBSCRIPTION AGREEMENT**

On October 11, 2016, the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) entered into the Maxit Second Tranche Subscription Agreement, pursuant to which Maxit Capital subscribed for 2,513,359 Ordinary Shares at a price of US\$0.16 per Ordinary Share for aggregate gross proceeds of US\$402,137. Certain fees were payable to Maxit Capital under the Maxit Second Tranche Subscription Agreement relating to the Maxit Second Tranche Subscription, its role in arranging the subscription for 60,839,979 Ordinary Shares, at a price of US\$0.16 per Ordinary Share, by a number of other subscribers for aggregate gross proceeds of US\$9,734,397. The total gross proceeds received by the Company pursuant to the Maxit Second Tranche Subscription Agreement was US\$10,136,534. These fees were satisfied by the Company through the issuances of 7,833,731 Ordinary Shares, 3,916,865 Options exercisable at 14 pence and 3,916,865 Options exercisable at 28 pence to Maxit Capital. The Options will expire 24 months after the completion of the Maxit Second Tranche Subscription Agreement.

The Maxit Second Tranche Subscription Agreement contains warranties given by each of the Company and Maxit Capital which expire on the date falling 24 months after completion of the Maxit Second Tranche Subscription. The maximum liability of each of the Company and Maxit Capital under the warranties is capped at an amount equal to the gross proceeds received by the Company pursuant to the Maxit Second Tranche Subscription. The Maxit Second Tranche Subscription Agreement is governed by the laws of Queensland, Australia.

### **ADMINISTRATION SERVICES AGREEMENT**

On March 21, 2017, the Company entered into the Administration Services Agreement with DGR Global, pursuant to which DGR Global agreed to provide administration services to the Company. The Administration Services Agreement supersedes the previous longstanding arrangements between the parties, as to the provision of administration services. The services provided under the Administration Services Agreement include, but are not limited to: (i) the grant of a non-exclusive licence for the Company to occupy part of DGR Global's premises; (ii) the use of existing office furniture, equipment and certain stationery; (iii) full information technology infrastructure and maintenance services under licence; (iv) general telephone, reception, meeting room and office facilities; (v) payroll and accounts payable services; and (vi) public investor and shareholder relations service (the "**Administration Services**").

In consideration for the provision of the Administration Services, the Company will initially pay DGR Global a fee of A\$30,000 (plus GST) per month. The fee payable is subject to an annual review by the parties. The Company must also reimburse DGR Global for outgoings incurred in conducting the business.

The initial term of the Administration Services Agreement is 2 years from the date of the agreement, with the option to extend the term by 2 years any number of times, at the election of either party, upon written notice within the last 30 days of the then existing term.

The Administration Services Agreement may be terminated by either party: (i) immediately for cause (including upon the other party's insolvency or material breach of the agreement); (ii) upon 12 months' written notice to the other party, if that other party has undergone a change of control (in respect of the composition of the Board or of more than half of the issued shares of that other party); and (iii) upon 6 months' written notice to the other party (subject to no change of control having occurred).

## CORNERSTONE TERM SHEETS

### First Revised Cornerstone Term Sheet

On July 24, 2012, the Company entered into an earn-in agreement with Cornerstone, CESA and ENSA, whereby SolGold was granted the right to earn a 65% direct interest in ENSA, an Ecuadorean registered company holding a 100% ownership interest in the Cascabel Project, upon satisfaction of certain earn-in obligations over a period of four years. SolGold did not exercise its earn-in option under this earn-in agreement. On February 18, 2013, the earn-in agreement was amended by the parties (the "**First Revised Cornerstone Term Sheet**"). Under the First Revised Cornerstone Term Sheet, SolGold subscribed for 100,000 Cornerstone Shares for an aggregate subscription price of C\$200,000 and received a 20% direct interest in ENSA. Under the First Revised Cornerstone Term Sheet, SolGold was granted the right to acquire further percentages of direct interest in ENSA by completing certain earn-in obligations.

On August 28, 2013, pursuant to the First Revised Cornerstone Term Sheet, the Company subscribed for 7,692,308 Cornerstone Shares in consideration for C\$500,000 in cash. Following the completion of this subscription, the Company held a total of 18,653,092 Cornerstone Shares, or approximately 11.7% of the then issued and outstanding Cornerstone Shares. SolGold also received a further 20% direct ownership interest in ENSA, thereby increasing the Company's direct interest in ENSA from 30% to 50%.

### Second Revised Cornerstone Term Sheet

On February 24, 2014, the Company, Cornerstone, CESA and ENSA agreed to further revise the terms of the First Revised Cornerstone Term Sheet (the "**Second Revised Cornerstone Term Sheet**"). Pursuant to the Second Revised Cornerstone Term Sheet, the Company subscribed for 2,500,000 common shares in the capital of Cornerstone, in exchange for a cash payment in the amount of C\$250,000 and an allotment of Ordinary Shares worth C\$100,000, both at agreed VWAPs.

Following the closing of the placement pursuant to the Second Revised Cornerstone Term Sheet on March 10, 2014, the Company held approximately 21,000,000 Cornerstone Shares or approximately 13% of the then issued and outstanding Cornerstone Shares. SolGold also received a further 35% direct ownership interest in ENSA, thereby increasing the Company's direct ownership interest in ENSA from 50% to 85% pursuant to its exercise of the Optional Subscription (as defined and as more particularly described below). Under the Second Revised Cornerstone Term Sheet, SolGold has been granted a first right of refusal over the remaining holding of Cornerstone in ENSA.

Additionally, pursuant to the terms of the Second Revised Cornerstone Term Sheet, SolGold issued to Cornerstone, 488,560 Ordinary Shares at a price of C\$0.2047 per Ordinary Share, for aggregate gross proceeds of C\$100,000. Cornerstone has agreed to give SolGold 5 business days notice if it proposes to sell all or part of such Ordinary Shares, to enable SolGold to determine if it can identify an appropriate buyer(s) of such Ordinary Shares. In the event that SolGold is able to identify such a buyer(s), Cornerstone has agreed to sell such Ordinary Shares to the identified buyer(s).

Under the Second Revised Cornerstone Term Sheet, each of SolGold and Cornerstone have the right, on 6 month's written notice to the other, to elect for SolGold to be responsible for the provision of administrative services to ENSA from a date specified in the notice and being no less than 6 months after the date of such written notice (the "**Administrative Handover Date**"). If an election is made, Cornerstone will no longer provide administrative services to ENSA on and from the Administrative Handover Date. From the date of SolGold notifying in writing of its determination to undertake the Optional Subscription to the Administrative Handover Date, SolGold will, subject to budgets being approved by SolGold and Cornerstone and the costs being within the amounts approved in the budgets and compliance by Cornerstone, pay the cost of all of Cornerstone's administration expenses in Ecuador to the extent to which they relate to ENSA or the Cascabel Project plus the cost of all of ENSA's expenditures to the extent required by the Second Revised Cornerstone Term Sheet.

### *Financing Option*

Under the Second Revised Cornerstone Term Sheet, Cornerstone has the right, within 20 business days from the date of completion of the Optional Subscription, to give notice to SolGold advising whether it will:

- (a) participate in joint funding the operations and activities of ENSA from and after completion of the Optional Subscription and the FPDP, including any feasibility study undertaken, based on its proportionate interest in ENSA; or
- (b) elect for SolGold to solely fund all operations and activities of ENSA from and after completion of the Optional Subscription and the FPDP, including any feasibility study undertaken (the "**Financing Option**"), failing such election within the required timeframe, Cornerstone shall be deemed to have elected the Financing Option.

Under the Second Revised Cornerstone Term Sheet, as a result of Cornerstone having elected the Financing Option:

- (a) SolGold must solely fund all operations and activities of ENSA, including the feasibility study, from the later of the time of the giving of its notice to complete the Optional Subscription and completion of the FPDP until the time of completion of a feasibility study and its delivery to Cornerstone;
- (b) After completion and delivery of the feasibility study, Cornerstone and SolGold must jointly fund the operations and activities of ENSA based on their respective proportionate interests in ENSA. To the extent that either party fails to fund its proportionate share of the operations and activities of ENSA when due, its equity stake in ENSA shall be diluted down (by way of transfer of shares in ENSA to the other shareholder of ENSA or if the parties agree, the issue of new shares in ENSA to the other party) based on an industry standard dilution mechanism. Cornerstone will have 120 days following receipt of the feasibility study to review it and make a determination and elect in writing to SolGold if it wishes to jointly fund its proportionate share of the costs. If it fails to elect within such period it shall be deemed to have elected not to fund its proportionate share. If it elects to fund its share, its obligation to fund shall be retroactive to the date the feasibility study was delivered to it; and
- (c) SolGold will receive 90% of Cornerstone's distribution of earnings or dividends from ENSA or the Cascabel Project to which Cornerstone would otherwise be entitled until such time as the amounts so received equal the aggregate amount of expenditures incurred by SolGold that, but for the Financing Option, would have been payable by Cornerstone, plus interest thereon from the dates such expenditures were incurred at a rate per annum equal to the rate of interest at which banks borrow funds from other banks, in marketable size, in the London interbank market (LIBOR) plus 2% until such time as SolGold is fully reimbursed.

### **ENVIRONMENTAL LICENCE**

On August 23, 2013, the Ministry of Environment of the Republic of Ecuador resolved to approve the environmental impact assessment for the advance exploration phase of metallic minerals at the Cascabel Project and to grant an environmental licence to ENSA for the advance exploration phase of metallic minerals at the Cascabel Project, subject to strict compliance with the environmental impact assessment. The environmental licence is valid from the date of issue until the execution term of the advance exploration phase of metallic minerals at the Cascabel Project. The environmental licence may be revoked or suspended in accordance with applicable legislation if the terms of the environmental licence are breached by ENSA.

### **WATER CONCESSION**

On July 26, 2013, the National Water Secretariat for the Mira Hydrographic Demarcation resolved to grant ENSA the right to exploit the waters of River Mira, to be used during the execution of the advanced mining exploration period

at the Cascabel Project. The water concession is valid for a renewable term of ten years. The water intake shall be used in mining and industrial exploration activities within the area authorised by the Ministry of Mines. ENSA shall pay \$1.08 per litre per second to the National Water Secretariat.

## DIRECTORS AND EXECUTIVE OFFICERS

### Name, Address, Occupation and Security Holdings

The names, province or state and country of residence, positions and offices, and principal occupations of each of the directors and executive officers of the Company during the 5 preceding years are as follows:

Name and Place of Residence	Position with the Company	Principal Occupation <sup>(4)</sup>	Director and/or Officer since	Number of Ordinary Shares Held <sup>(5)</sup> (Percentage Held)
Nicholas Mather <sup>(2)(3)</sup> Queensland, Australia	Executive Director and CEO	Managing Director and CEO, DGR Global (ASX); Director, Armour Energy Limited (ASX); Director, Aus Tin Mining Limited (ASX); Director, Dark Horse Resources Limited (ASX); Director, Lakes Oil NL (ASX); and Director, IronRidge Resources Limited (AIM).	May 11, 2005 (Executive Director)  May 11, 2005 to October 2011 and on and from May 18, 2015 (CEO)	90,768,275 (5.99%)
Brian Moller <sup>(1)(2)(3)</sup> Queensland, Australia	Non-Executive Chairman	Corporate Partner, HopgoodGanim Lawyers; Director, DGR Global (ASX); Director, Dark Horse Resources Limited (ASX); Director, Agua Resources Limited (ASX); Director, Platina Resources Limited (ASX); Director, Lithium Consolidated Mineral Exploration Limited (ASX); and Chairman, Aus Tin Mining Limited (ASX).	May 11, 2005 (Non-Executive Director)  February 28, 2013 (Non-Executive Chairman)	5,189,121 (0.34%)
Dr. Robert Weinberg <sup>(1)(2)(3)</sup> London, England	Non-Executive Director	Director, Medusa Mining Limited (ASX); Director, Kasbah Resources Limited (ASX); and Director, Chaarat Gold Holdings Limited (AIM).	November 22, 2005	4,296,091 (0.28%)
John Bovard <sup>(1)(2)(3)</sup> Queensland, Australia	Non-Executive Director	Director, Aus Tin Mining Limited (ASX) and consultant in the mining industry.	November 1, 2009	3,858,813 (0.25%)
Craig Jones Queensland, Australia	Non-Executive Director	Executive General Manager, Newcrest Mining Limited (ASX); Director, Morobe Exploration Services Limited.; Director, Morobe Mining JV Services (Australia) Pty Ltd.; Director, Newcrest PNG 2 Limited; Director, Wafi Golpu Services Limited; Director, Cadia Holdings Pty Limited; Director, Harmony PNG 20 Limited (formerly Newcrest PNG 1 Limited); Director, Hidden Valley Services Limited;	March 3, 2017	Nil (0.00%)

Name and Place of Residence	Position with the Company	Principal Occupation <sup>(4)</sup>	Director and/or Officer since	Number of Ordinary Shares Held <sup>(5)</sup> (Percentage Held)
		Director, Newcrest Operations Limited; and Director, Newgen Pty Ltd.		
Karl Schlobohm Queensland, Australia	Company Secretary	Company Secretary, IronRidge Resources Limited (AIM); Company Secretary, DGR Global (ASX); Company Secretary, Dark Horse Resources Limited (ASX); Company Secretary, Aus Tin Mining Limited (ASX); and Company Secretary, Armour Energy Limited (ASX).	May 6, 2009	3,384,692 (0.22%)
Priy (Priyanka) Jayasuriya Queensland, Australia	Chief Financial Officer	Chief Financial Officer, DGR Global (ASX); Chief Financial Officer, Armour Energy Limited (ASX); Chief Financial Officer, IronRidge Resources Limited (AIM); Chief Financial Officer, Dark Horse Resources Limited; and Chief Financial Officer, Aus Tin Mining Limited (ASX).	November 23, 2010	126,446 (0.0083%)

**Notes:**

- (1) Member of the Audit and Risk Management Committee. Chair of the Audit and Risk Management Committee is Brian Moller.
- (2) Member of the Health, Safety, Environment and Community Committee. The full Board performs the role of the Chair of the Health, Safety, Environment and Community Committee.
- (3) Member the Remuneration Committee. Chair of the Remuneration Committee is John Bovard.
- (4) The information as to principal occupation has been furnished by each director and/or officer individually.
- (5) Includes direct and indirect interests of the directors and their related entities.

See "Audit and Risk Management Committee" and "Corporate Governance – Board Committees".

## Biographies

The following biographical information relates to each of the directors and officers of the Company and includes a description of each individual's principal occupation within the past five years.

*Nicholas Mather*, Executive Director and CEO, graduated in 1979 from the University of Queensland with a B.Sc. (Hons., Geology). Mr. Mather has a special area of experience and expertise is the generation of, and entry into undervalued or unrecognised resource exploration opportunities. He has been involved in the junior resource sector at all levels for more than 30 years. In that time, he has been instrumental in the delivery of major resource projects that resulted in nine corporate takeovers and over 5 billion dollars to shareholders. Mr. Mather was co-founder of Arrow Energy NL (an ASX-listed company) and was responsible for the generation of its Surat Basin Coal Bed Methane project and served as an Executive Director until 2004. He was also founder and Chairman of Waratah Coal Inc. until it was acquired in December 2008 and co-founder and Non-Executive Director of Bow Energy Limited until its recent takeover by Arrow Energy Pty Ltd. in January 2012. Mr. Mather and the DGR Global team founded Orbis Gold in 2006 and continued to hold a significant equity stake and board position through to its takeover in February of 2015. Previously as CEO of BeMax Resources NL (an ASX-listed company), Mr. Mather headed the discovery of the company's Pooncarie mineral sands project in 1998. He has also been a Non-Executive Director of Ballarat Goldfields, having assisted with the recapitalisation of the company in 2002. Mr. Mather is Managing Director and Chief Executive of DGR Global, Executive Chairman of Armour Energy Limited (an ASX-listed company) and Non-Executive Director of IronRidge Resources Limited (an AIM-listed company), Dark Horse Resources Limited (ASX-listed company), Aus Tin Mining Limited (an ASX-listed company) and Lakes Oil NL (an ASX-listed company).

*Brian Moller*, Non-Executive Chairman, is a corporate partner in the Brisbane based law firm HopgoodGanim Lawyers, the Australian solicitors to the Company. He was admitted as a solicitor in 1981 and has been a partner at HopgoodGanim Lawyers since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions. Mr. Moller holds an LLB Hons. from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association. Mr. Moller acts for many publicly-listed resource and industrial companies and brings a wealth of experience and expertise to the Board, particularly in the corporate regulatory and governance areas. He is a Non-Executive Director of the following ASX-listed companies: DGR Global, Dark Horse Resources Limited, Aguia Resources Limited, Platina Resources Limited and Lithium Consolidated Mineral Exploration Limited, and the Non-Executive Chairman of the ASX-listed company Aus Tin Mining Limited.

*Dr. Robert Weinberg*, Non-Executive Director, gained his doctorate in geology from Oxford University in 1973. He has more than 40 years of experience of the international mining industry and is an independent mining research analyst and consultant. He is a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining. He has been an independent Non-Executive Director of a number of minerals exploration, development and mining companies. Prior to his current activities he was Managing Director of the Institutional Investment at the World Gold Council. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities. He has also held senior positions within Société Générale and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

*John Bovard*, Non-Executive Director, is a civil engineer with over 40 years of experience in mining, heavy construction, project development and corporate management throughout Australia. His career to date has included roles as CEO of public companies and both executive and non-executive directorships. He holds a Bachelor's Degree in Civil Engineering, is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Fellow of the Australian Institute of Company Directors. Mr. Bovard is currently a director of the ASX-listed company Aus Tin Mining Limited. Other roles within the past five years have included Non-Executive Chairman of Orbis Gold Limited (resigned February 17, 2015), Non-Executive Director of Australian Pacific Coal Limited (resigned November 29, 2012), acting as the interim CEO of Australian Solomon Gold Ltd. (from April 2007 to January 2008) and the Non-Executive Chairman of Axiom Mining Ltd. (from June 2006 to April 2007). From March 2002 to June 2006, Mr. Bovard acted as the CEO of Asia Pacific Resources Ltd. (listed on the TSX developing a large potash resource in Thailand. Other directorships have included Danae Resources NL (Managing Director) and Greenwich Resources PLC, both through to early 2006. He was also Project Manager for the A\$800,000,000 Phosphate Hill Fertiliser Project for Western Mining Corporation situated south of Mount Isa in Queensland, Australia. Other previous project experience includes managing the construction of the Porgera Mine in Papua New Guinea, the super pit expansion at Kalgoorlie, and the development of the Bronzewing Gold Mine in western Australia. He was previously the General Manager of the Ok Tedi porphyry copper gold mine. John Bovard's corporate profile, together with his extensive experience in south west Pacific mining operations and construction is considered to be of great value to SolGold plc.

*Craig Jones*, Non-Executive Director, holds a Bachelor of Mechanical Engineering from the University of Newcastle, Australia, and joined Newcrest International in 2008. He is currently the Executive General Manager Wafi-Golpu. He has held various senior management and executive roles within the Newcrest group, including General Manager Projects, General Manager Cadia Valley Operations, Executive General Manager Projects and Asset Management, Executive General Manager Australian and Indonesian Operations, Executive General Manager Australian Operations and Projects, and Executive General Manager Cadia Valley Operations and Morobe Mining Joint Venture. Prior to joining Newcrest, Mr. Jones worked for Rio Tinto.

*Karl Schlobohm*, Company Secretary, has over 25 years of experience in the accounting profession across a wide range of businesses and industries. He has previously been contracted into Company Secretary and Chief Financial Officer roles with ASX-listed resource companies Discovery Metals Limited and Meridian Minerals Limited, and as Company Secretary of ASX-listed Linc Energy Limited, Agenix Limited, Discovery Metals Limited and Global Seafood Australia Limited. Mr. Schlobohm is a Chartered Accountant and holds a bachelor's degree in commerce and economics and a master's degree in taxation. Mr. Schlobohm is also contracted to act as the Company Secretary of the AIM-traded IronRidge Resources Limited and ASX-listed DGR Global, Dark Horse Resources Limited, Aus Tin Mining Limited and Armour Energy Limited.

*Priy (Priyanka) Jayasuriya*, Chief Financial Officer, is a Chartered Accountant with over 20 years' experience in public practice and has a broad knowledge over a number of industries. Mr. Jayasuriya has worked as a chartered accountant in Australia, Singapore and the United States of America and brings a range of expertise in the areas of due diligence, internal control, corporate governance, international financial reporting and statutory compliance. Mr. Jayasuriya commenced his career with Ernst & Young and holds a Bachelor of Commerce Degree from the University of Queensland and is a member of the Institute of Chartered Accountants in Australia. Mr. Jayasuriya has significant experience in mergers and acquisitions, with a strong background in financial management and reporting. Mr. Jayasuriya is currently also the Chief Financial Officer for ASX-listed DGR Global Limited, Armour Energy Limited and Aus Tin Mining Limited and Dark Horse Resources Limited and for AIM-listed IronRidge Resources Limited.

### **Share Ownership**

As at the date of this AIF, based on the number of Ordinary Shares and securities convertible into Ordinary Shares beneficially owned, directly or indirectly, or over which control or direction is exercised by all of the directors and officers of the Company as a group, all of the directors and officers are expected to, as a group, beneficially own, directly or indirectly, or exercise control or direction over 107,623,438 Ordinary Shares, representing approximately 7.10% of the issued and outstanding Ordinary Shares on a non-diluted basis.

### **Terms of Directors**

One third of the directors of the Company retire from office at every annual general meeting of the Company. In general, those directors who have held office the longest time since their election are required to retire. A retiring director may be re-elected and a director appointed by the Board may also be elected, though in the latter case the director's period of prior appointment by the Board will not be taken into account for the purposes of rotation.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### **Corporate Cease Trade Orders**

To the knowledge of the Company, as at the date of this AIF, no director or executive officer of the Company is, or within the 10 years prior to the date of this AIF has been, a director, CEO or Chief Financial Officer ("**CFO**") of any company (including the Company), that while that person was acting in that capacity:

- (a) was subject to a cease trade order (including any management cease trade order which applied to directors or executive officers of a company, whether or not the person is named in the order), an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days (an "**Order**"); or
- (b) was subject to an Order that was issued after the director or executive officer ceased to be a director, CEO or CFO and which resulted from an event that occurred while that person was acting in the capacity as director, CEO or CFO.

### **Bankruptcy**

To the knowledge of the Company, as at the date of this AIF, no director, executive officer, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, or within the 10 years prior to the date of this AIF has:

- (a) been a director or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or



- (b) become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

### **Penalties and Sanctions**

To the knowledge of the Company, as at the date of this AIF no director, executive officer, or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to any:

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

### **CONFLICTS OF INTEREST**

Certain of the directors and officers of the Company will not be devoting all of their time to the affairs of the Company. Certain of the directors and officers of the Company are directors and officers of other companies, some of which are in the same business as the Company. See "*Risk Factors – Conflicts of Interest*" and "*Corporate Governance*".

The directors and officers of the Company are required by law to act in the best interests of the Company. They have the same obligations to the other companies in respect of which they act as directors and officers. Any decision made by any of such officers or directors involving the Company will be made in accordance with their duties and obligations under the applicable laws of Canada.

### **EXECUTIVE COMPENSATION**

#### **Compensation Objectives**

The following discussion describes the significant elements of our executive compensation, with particular emphasis on the process for determining compensation payable to the Company's CEO, CFO, and, other than the CEO and the CFO, each of the 3 most highly compensated executive officers, or the 3 most highly compensated individuals acting in a similar capacity (collectively, the "**Named Executive**" or "**NEOs**"). Nicholas Mather, Executive Director and CEO, Priy (Priyanka) Jayasuriya, CFO, Jason Ward, Consultant/Country Manager, Benn Whistler, Manager Technical Services and Lazaro Roque-Albelo, Manager of Latin American Affairs, are anticipated to be NEOs of the Company for the current financial year.

#### **Compensation Governance**

The Remuneration Committee is a standing committee of the Board that meets periodically and is responsible for making decisions on directors' and key management's remuneration packages. The Remuneration Committee has among other duties the responsibility to recommend to the Board the compensation of the CEO and that of the other NEOs, as such term is defined under applicable Canadian securities laws.

The remuneration of the Non-Executive Directors is determined by the Executive Director who considers it essential, notwithstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre for that role. Consequently, SolGold believes that it is in the interests of shareholders that Non-Executive Directors should be provided with Options in addition to the level of fees considered affordable.

The Remuneration Committee has the responsibility to analyze all matters related to ensuring a strong leadership role in the continuous development of the Company and the creation and maximization of value for the shareholders. The Remuneration Committee and the Board are focused on recruiting and retaining highly talented and experienced executive officers, taking into account the fact that employment market has proven to be very competitive in recent

years. As set out in the Remuneration Committee's charter, the Remuneration Committee has identified the following priorities in carrying out its functions:

- establish and review the remuneration policies and practices of the Company;
- establish and review the remuneration packages for the Board, the CEO and the Company's other executives;
- oversee the Company's recruitment, retention and terminations policies, practices and procedures;
- oversee the Company's incentive plans and equity-based schemes; and
- make recommendations to the full Board in connection with the above matters.

The Remuneration Committee is comprised of John Bovard, Nicholas Mather, Dr. Robert Weinberg and Brian Moller. John Bovard is the Chair of the Remuneration Committee. All members of the Remuneration Committee (other than Nicholas Mather) are independent as defined under National Instrument 58-101 – *"Disclosure of Corporate Governance Practices"*.

The Board recognizes the significance of appointing independent, knowledgeable and experienced individuals to the Remuneration Committee who have the necessary background in executive compensation and risk management to fulfill the Remuneration Committee's duties and responsibilities. All members of the Remuneration Committee enjoy extensive experience in these areas through their prior and current function and implication with other organizations. A description of the experience of each of the members of the Remuneration Committee that is relevant to their responsibilities is described in this AIF under the heading *"Directors and Executive Officers – Biographies"*.

The responsibilities of the Remuneration Committee are set out in the Company's Corporate Governance Charter, which is attached as Schedule "A".

### **Compensation Methodology**

The Company expects the Board will review and approve recommendations from the Remuneration Committee regarding salaries, annual bonuses and equity incentive compensation for the Named Executives and approve corporate goals and objectives relevant to their respective compensation. The Remuneration Committee will use discretion and judgment when determining compensation levels as they apply to a specific executive officer.

Individual compensation may be based on individual qualifications and skills, level of responsibility of the position, the compensation terms which may be required to attract an executive of equivalent experience to join the Board from another company or any other criteria deemed important by the Remuneration Committee. In order to meet the Company's objectives, the Remuneration Committee will be guided by:

- providing executives with an equity-based incentive plan, namely a share plan;
- aligning employee compensation with the Company's corporate objectives; and
- attracting and retaining highly-qualified individuals in key positions.

The Remuneration Committee, in having regard to compensation to be offered to the Board, the CEO and the Company's other executives, will:

- review the competitiveness of the Company's executive compensation programmes to ensure that:
  - the programmes are attractive, with a view to ensuring the retention of corporate officers;
  - the motivation of corporate officers to achieve the Company's business objectives; and

- the alignment of the interests of key leadership with the long term interests of the Company's shareholders.
- consider and make recommendations to the Board on the entire specific remuneration for each individual of management (including fixed pay, incentive payments, equity awards, retirement rights, service contracts) having regard to the executive remuneration policy.
- design the remuneration policy in such a way that it:
  - motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
  - demonstrates a clear relationship between key executive performance and remuneration.
- ensure that:
  - the remuneration offered is in accordance with prevailing market conditions, and that exceptional circumstances are taken into consideration;
  - contract provisions reflect market practice; and
  - targets and incentives are based on realistic performance criteria.

## **Risk Management**

The Company expects that the Remuneration Committee will review the practices the Company uses to identify and mitigate compensation policies and practices that could create or incentivize any inappropriate or excessive risk-taking by executive officers.

## **Components of the Compensation Program**

The compensation package for NEOs is primarily comprised of 4 elements: base salary, annual incentive (bonus) compensation, long-term incentive compensation and benefits. Each element of compensation is described in more detail below. All salaries, salary increases, cash bonuses and share-based compensation for the NEOs are reviewed, considered and approved by the Remuneration Committee and, in turn, the Board. The mix of pay and the weighting of short-term and long-term incentives reflects the NEOs' position and his or her ability to impact the short-term and long-term performance of the Company. For this purpose, the Board takes into account compensation paid by other companies which SolGold deems to be comparable.

### *Base Salary*

Base salary is the fixed component of total direct compensation for the NEOs, and is intended to attract and retain executives, providing a competitive amount of income certainty. The actual base salaries of the NEOs will reflect numerous factors relevant to the discharge of their duties, including the complexity of their respective roles, the amount of applicable industry experience, the function their respective roles play in the Company's corporate development and the need to attract and retain talented individuals. Base salaries are reviewed and compared to similar benchmarked positions in the Company's industry peer group in the relevant marketplace. Consideration is also given to the NEO's time in the role, and/or material differences in responsibilities compared with the benchmarked similar role in the peer group data. The NEO base salaries are generally targeted to the Company's peer group and adjusted for individual contribution and performance.

### *Annual Cash Incentive Plans*

The short-term incentive compensation for the Named Executives is based on their performance as a team against corporate objectives approved by the Board and bonuses are paid by the Board, at its full discretion, based on recommendation of the Remuneration Committee.

### *Long-Term Incentive Compensation*

The Share Incentive Plan of the Company was adopted by the Board in July 2017 and approved by shareholders at the annual general meeting held on July 28, 2017. The Company understands that the establishment of a balance between short and long-term compensation is essential for the Company's sustained performance, including its ability to attract, motivate and retain a pool of talented executives in a very competitive employment market as well as to ensure a proper alignment of the Named Executives' interests with those of shareholders. As of the date hereof, no Options have been issued under the Share Incentive Plan. See "*Options to Purchase Securities*" and "*Long Term Incentive Plans*".

### *Benefits*

Employee benefits include share based payment transactions and retirement benefits.

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

The Company pays superannuation and pension entitlements as and where required. Contributions payable for the year are charged to the statement of comprehensive income. Other than where noted below in "*Employment Agreements and Potential Payments upon Termination*", payments to NEOs are inclusive of retirement (superannuation) payments.

In Australia, employees have a choice of where superannuation contributions are paid, which has to be a registered superannuation fund, run independently of the Company. Employers have to pay compulsory superannuation contributions (currently 9.5% of ordinary time earnings) for eligible employees on amounts earned up to the maximum superannuation contribution base (which is currently A\$51,620 per quarter).

The Company makes payments in accordance with applicable legislation (i.e., United Kingdom and Australian legislation) and does not operate a defined contribution plan. However, the Company makes superannuation payments. The effect of the payments made by the Company pursuant to such legislation is similar to that of a defined contribution plan.

### *Employment Agreements and Potential Payments upon Termination*

Each of the NEOs has entered into an executive employment agreement with the Company, providing for the payment of base salary, specified cash bonuses, Options, and any entitlements to participate in the Company's standard benefits plan. Individual employment agreements stipulate that, in the case of termination of employment initiated by the Company for reasons other than cause, the Company will make the following severance payments to its NEOs:

### **Nicholas Mather, Executive Director and CEO**

On June 23, 2017, the Company entered into the Samuel Consultancy Agreement with Samuel, a company associated with Nicholas Mather, pursuant to which Samuel is engaged as an independent contractor to the Company.

The Samuel Consultancy Agreement continues for a term of two years with an option to extend the arrangement for a further two years at the election of either party.

Samuel is appointed to provide the Company with the following services:

- to cause and procure the provision of an key person, being Nicholas Mater, or such other person as agreed in writing between the Company and Samuel, to discharge all of the usual duties performed by an Executive Director of a publicly listed gold and copper exploration company;
- to liaise with the Chair of the Company;
- prepare and submit (or procure that the Company's management prepare and submit) to the Board for their approval work programmes and budgets on a regular basis as deemed appropriate by the Board for the progression of a project or programme, and in any event not less than 6 monthly intervals, for all proposed Company activities;
- manage and deliver the implementation of acquisition and divestment strategies;
- liaise with corporate and financial advisors, bankers, regulators and independent consultants;
- manage broker and investor liaison and promotional activities;
- liaise with external advisors and brokers to the Company;
- preparation and execution of capital raisings, corporate restructures and change of control transactions;
- presentation to the Board of activity reports and new business proposals; and
- execution of Board directives,

(collectively, the "**Services**").

In consideration for the provision of the services listed above, Samuel is entitled to an annual fee (exclusive of GST) of A\$400,000, payable in monthly installments (the "**Consultancy Fee**").

Every 6 months during the term of the Samuel Consultancy Agreement, the Remuneration Committee will undertake a review of the performance of Samuel in providing the Services. Based on that review, the Remuneration Committee may adjust the Consultancy Fee as deemed appropriate and determine whether or not a bonus (up to 40% of the value of the then existing Consultancy Fee) is to be awarded having regard to the key performance indicators (and their respective weightings) set out in the table below:

Key Performance Indicators	Percentage Weighting
Beneficial achievements in the course of execution of approved programmes including: <ul style="list-style-type: none"> <li>• surpassing targeted works;</li> <li>• cost savings; and</li> <li>• surpassing time estimates</li> </ul>	30%
Growth of business through acquisitions, new projects and other means	32.5%
Risk management and safety performance	5%
Share price performance measured against mining and exploration sector of listed companies on any relevant stock exchange	32.5%

In addition to any bonus determined by reference to the key performance indicators, the Board may also in its sole discretion, issue or pay additional bonuses to Samuel.

The agreement also provides for the payments of A\$187,497 and A\$100,000 in consideration for the continued provision of Services by Samuel on a month-to-month basis following the expiry of Samuel's prior consultancy agreement with the Company.

The agreement provides for the issue (subject to any necessary regulatory consents or approvals) to Samuel (or its nominee) of 26,250,000 Options that:

- vest immediately upon the earlier of the date that:
  - is 18 months after the date the Options are issued;
  - a Change of Control Event (as such term is defined in the Samuel Consultancy Agreement) occurs; and
  - Samuel ceases to be a contractor of the Company, other than due to a material breach of the Samuel Consultancy Agreement, fraud or dishonesty.
- have an exercise price of £0.60 per Ordinary Share; and
- expire on the earlier of:
  - third anniversary of the date they are issued;
  - the expiration of 3 months, or any longer period as may be determined by the Board, after Samuel ceases to be a contractor of the Company; or
  - Samuel ceasing to be a contractor of the Company due to material breach of the Samuel Consultancy Agreement, fraud or dishonesty.

The Company will reimburse Samuel for all reasonable and necessary expenses incurred in the performance of the Services, provided that Samuel provides documentary evidence acceptable to the Company. Samuel is also entitled to certain additional including, the reimbursement of the cost of business class airfares for the spouse of the key person to accompany the key person on two separate, return, international trips each year during the term of the Samuel Consultancy Agreement.

The Samuel Consultancy Agreement can be terminated by the Company by giving 12 months' written notice to Samuel or by the Company paying Samuel the amount equivalent to the Consultancy Fee for such 12 month period. The Samuel Consultancy Agreement can be terminated by Samuel by giving 3 months' written notice to the Company and if Samuel provides such written notice, the Company may elect to pay Samuel the amount equivalent to the Consultancy Fee for such 3 month period in lieu of retaining the services of Samuel for such 3 month period. In the event that Samuel breaches the Samuel Consultancy Agreement, becomes insolvent, its officers are charged with a criminal offence which brings the Company or its business into disrepute, or Nicholas Mather resigns as a director due to his resignation, the Company may terminate the Samuel Consultancy Agreement, at its sole discretion, without payment of any fees, remuneration or compensation (other than that which has already accrued).

Samuel is solely responsible for the remuneration and benefits of Nicholas Mather and the staff of Samuel, including their wages or salaries, paid public holidays, annual leave, sick leave, superannuation, pay-as-you-earn tax and other taxes, workers' compensation and other insurances and all other obligations arising out of or in connection with the activities of Samuel. The Samuel Consultancy Agreement is governed by the laws of Queensland, Australia.

### **Priy (Priyanka) Jayasuriya, Chief Financial Officer**

In addition to his role as CFO of the Company, Mr. Jayasuriya also acts concurrently as the CFO of DGR Global (among other companies). Previously, both the services and remuneration of Mr. Jayasuriya were provided in, and included as, part of the administration services arrangement with DGR Global (see "*Administration Services Agreement*"). On and from October 1, 2016, the Company continued to receive the services of Mr. Jayasuriya as part of the Administration Services Agreement with DGR Global, however the Company will also directly remunerate Mr. Jayasuriya for A\$35,000 per annum for his services as CFO of the Company. The Company may terminate the services of Mr. Jayasuriya by giving one month's notice.

### **Jason Ward, Consultant/Country Manager**

On July 1, 2015, the Company entered into a services contract with Jason Ward, pursuant to which Mr. Ward is engaged by the Company as an independent contractor in the position of "country manager", to provide management and geological services to the Company and its subsidiaries until such time as the contract is terminated ("**Ward Consultancy Agreement**").

Mr. Ward is engaged to perform services under the agreement on a day-rate basis and in consideration for such services (as varied by way of letter dated October 1, 2016), receives A\$1,430 (exclusive of GST) per day (based upon a 7.5 hour day) as a mixture of cash and shares. Mr. Ward is solely responsible for his superannuation.

Either party may terminate the Ward Consultancy Agreement by giving 3 months' written notice (or by way of payment in lieu). The Company may terminate the Ward Consultancy Agreement at any time with notice for cause, where Mr. Ward: (i) is in breach of the Ward Consultancy Agreement; (ii) becomes bankrupt; or (iii) is charged with a criminal offence which in the reasonable opinion of the Company brings the Company or its business into disrepute.

The Ward Consultancy Agreement is governed by the laws of Queensland, Australia, or such other jurisdiction as the Company resolves in its sole discretion.

### **Benn Whistler, Manager Technical Services**

On or about July 1, 2015, the Company entered into an employee services agreement with Benn Whistler, pursuant to which Mr. Whistler is engaged by the Company as Manager – Technical Services on and from July 1, 2015 and until such time as the agreement is terminated.

Mr. Whistler is engaged to manage the technical services and technical team business unit of the Company and to assist the Country Manager. In consideration for the services provided (as varied by way of letter dated October 1, 2016), Mr. Whistler is entitled to receive an annual base salary of A\$278,784 (inclusive of statutory superannuation entitlements), may be invited to participate in the Company's employee incentive option scheme and may receive an annual bonus payment as determined by the Board (subject to satisfaction of key performance indicators).

Mr. Whistler may terminate the agreement either by giving 3 months' written notice of termination (or such other period as may be mutually agreed in writing), or immediately in the event that there is a significant diminution of his job content, status, responsibility or authority ("**Whistler Diminution Termination**"). The Company may terminate the agreement without cause by giving 3 months' notice, or in the event of serious misconduct, immediately.

In the event of Whistler Diminution Termination, but subject to any restrictions or approvals under the listing rules of AIM and the UKCA, the Company will make a payment to Mr. Whistler equal to 3 months of his annual base salary (inclusive of any other payments to which he might be entitled on termination). The agreement is governed by the laws of Queensland, Australia.

### **Lazaro Roque-Albelo, Manager of Latin American Affairs**

On August 27, 2014, the Company entered into an executive services agreement with Lazaro Roque-Albelo, pursuant to which Mr. Roque-Albelo is engaged by the Company as Manager of Latin American Affairs on and from September 15, 2014 and until such time as the agreement is terminated.

Mr. Roque-Albelo is required to devote himself to usual working hours of at least 50 hours per week to the performance of his duties, which include the following:

- assisting in relation to environmental management plan and related matters in Ecuador and other Latin American countries;
- overseeing community relations and governmental relations in Ecuador and other Latin American countries;
- advising in relation to health and safety related issues in Ecuador and other Latin American countries;
- assisting senior management of ENSA in relation to Ecuadorian mining exploration projects;
- the provision of advice in negotiations in respect of security, taxation, fiscal arrangements, environmental planning and execution, permitting, labour and industrial relations, occupational workplace health and safety, insurance and any other corporate, government or community liaison activities or introductions at any level in Ecuador and other Latin American countries (and advice on the design and supervision of programs and studies required in respect of such matters);
- assistance with the acquisition of other projects and tenures in Ecuador and other Latin American countries; and
- supervising all stakeholder relations matters in respect of Ecuador and other Latin American countries.

In consideration for the services listed above, Mr. Roque-Albelo is entitled to receive an annual base salary of A\$275,000 (plus statutory superannuation contributions), may be invited to participate in the Company's employee incentive option scheme and may receive an annual bonus payment as determined by the Board (subject to satisfaction of key performance indicators) up to a maximum of 30% of annual base salary.

Mr. Roque-Albelo may terminate the agreement either by giving 6 months' written notice of termination (or such other period as may be mutually agreed in writing), or immediately in the event that there is a significant diminution of his job content, status, responsibility or authority (the "**Roque-Albelo Diminution Termination**"). The Company may terminate the agreement without cause by giving 6 months' notice, or in the event of serious misconduct, immediately.

In the event of Roque-Albelo Diminution Termination, but subject to any restrictions or approvals under the listing rules of AIM and the UKCA, the Company will make a payment to Mr. Roque-Albelo equal to 6 months of his annual base salary (inclusive of any other payments to which he might be entitled on termination). The agreement is governed by the laws of Queensland, Australia.

## **DIRECTOR COMPENSATION**

### **General**

The Company's directors' compensation program is designed to attract and retain qualified individuals to serve on the Board. Each Non-Executive Director receives an annual retainer of A\$70,000, all of which is payable in cash and none of is payable in security based compensation. As Chairman of the Company, Mr Brian Moller receives an annual retainer of A\$110,000. The Executive Director will receive an annual retainer of A\$400,000. From time to time, the Board, in its discretion, may also compensate directors with fees for their services on Board projects. The Company has agreed to reimburse directors for all reasonable expenses incurred in order to attend meetings.



## LONG-TERM INCENTIVE PLANS

The long-term compensation plan of the Company is comprised of a Share Incentive Plan for employees, officers and consultants, which is designed to align participants' interests with those of the shareholders of the Company. The Share Incentive Plan was adopted by the Board in July 2017 and approved by the Company's shareholders on July 28, 2017.

The Board and any Committee thereof, have the power and discretionary authority to determine the terms and conditions of any grants under share plans, including the individuals who will receive the grants, the term, the exercise price, the number of Ordinary Shares subject to each grant, the limitations or restrictions on vesting and exercisability of grants, acceleration of vesting or the waiver of forfeiture or other restrictions on awards, the form of consideration payable on exercise, whether grants will entitle the participant to receive dividend equivalents and the timing of the grants. The Board and any Committee thereof will also have the power to establish award exercise procedures and procedures for payment of withholding tax obligations with cash.

### Share Incentive Plan

The following table sets forth all compensation plans under which equity securities of the Company are authorized for issuance previously approved by security holders and all compensation plans under which equity securities of the Company are authorized for issuance not previously approved by security holders:

Plan Category	Number of Ordinary Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding Securities Reflected in Column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	151,624,569	£0.4338	63,270,801 <sup>(1)</sup>
Equity compensation plans not approved by security holders	Nil	Nil	Nil

Note:

(1) Based on there being 151,555,686 Ordinary Shares outstanding as at June 30, 2017.

The following is a summary of the principal terms of the Share Incentive Plan. See also "*Options to Purchase Securities – Share Incentive Plan*".

#### *Purpose of the Share Incentive Plan*

The Share Incentive Plan provides for the acquisition of Ordinary Shares by eligible participants for the purpose of advancing the interests of the Company through the motivation, attraction and retention of key employees and directors of the Company and to secure for the Company and the shareholders of the Company the benefits inherent in the ownership of Ordinary Shares by key employees and directors of the Company, it being generally recognized that share incentive plans aid in attracting, retaining and encouraging employees and directors due to the opportunity offered to them to acquire a proprietary interest in the Company.

### *Administration*

The Share Incentive Plan is administered by the Board or any Committee of the Board authorized to administer the Share Incentive Plan.

### *Ordinary Share Availability and Participation Limits*

The maximum number of Ordinary Shares made available for the Share Incentive Plan shall not exceed 10% of the total number of Ordinary Shares then outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Option.

The maximum number of Ordinary Shares issuable to insiders, at any time, pursuant to the Share Incentive Plan and any other share compensation arrangement is 10% of the total number of Ordinary Shares then outstanding. The maximum number of Ordinary Shares issued to insiders, within any one year period, pursuant to the Share Incentive Plan and any other share compensation arrangement is 10% of the total number of Ordinary Shares then outstanding.

The maximum number of Ordinary Shares issuable to non-employee directors, at any time, pursuant to the Share Incentive Plan and any other any other share compensation arrangement is 1% of the total number of Ordinary Shares then outstanding. The total annual grant to any one non-employee director, within any one year period, pursuant to the Share Incentive Plan and any other share compensation arrangement shall not exceed a maximum grant value of \$150,000 worth of securities, of which the value of Options shall not exceed \$100,000 per non-employee director.

For purposes of the non-employee director participation limits, the aggregate number of securities granted under all share compensation arrangements shall be calculated without reference to: (i) the initial securities granted under the share compensation arrangements (pre-existing or otherwise) to a person who was not previously an insider of the Company, upon such person becoming or agreeing to become a director of the Company. However, the aggregate number of securities granted under all share compensation arrangements in this initial grant to any one non-employee director shall not exceed a maximum value of \$150,000 worth of securities; and (ii) the securities granted under the share compensation arrangements to an eligible director who was also an officer of the Company at the time of grant but who subsequently became a non-employee director.

### *Participants*

Under the Share Incentive Plan, eligible participants includes the directors, officers and employees (including both full-time and part-time employees) of the Company or of any designated affiliate of the Company and any person or corporation engaged to provide ongoing management or consulting services for the Company or a designated affiliate of the Company (or any employee of such person or corporation). Subject to the provisions of the Share Incentive Plan, the Committee may from time to time determine the participants to whom Options may be granted, the number of Ordinary Shares to be made subject to each Option granted, the expiry date of each Option granted, the exercise price of each Option granted and the other terms of each Option granted.

### *Exercise Price of Options*

The price per share at which any Ordinary Share which is the subject of an Option may be purchased shall be determined by the Committee at the time the Option is granted, provided that the exercise price of any Option may not be less than the closing price of the Ordinary Shares on the TSX, or such other principal market upon with the Ordinary Shares are traded, on the last trading day immediately preceding the date of the grant of such Option.

### *Term of Options*

Each Option, unless sooner terminated pursuant to the provisions of the Share Incentive Plan, will expire on a date to be determined by the Committee at the time the Option is granted, subject to amendment by an employment contract, which date cannot be later than ten years after the date the Option is granted. However, if the expiration date falls within a blackout period or within ten business days after a blackout period expiry date, then the expiration date of the Option will be the date which is ten business days after the blackout period expiry date.

### *Vesting of Options*

Except as otherwise specifically provided in any employment contract or in the provisions of the Share Incentive Plan, Options may be exercised (in each case to the nearest full share) during the Option period only in accordance with the vesting schedule, if any, determined by the Committee, in its sole and absolute direction, at the time of the grant of the Option, which vesting schedule may include performance vesting or acceleration of vesting in certain circumstances and which may be amended or changed by the Committee from time to time with respect to a particular Option. If the Committee does not determine a vesting schedule at the time of the grant of any particular Option, such Option shall be exercisable in whole at any time, or in part from time to time, during the Option period.

### *Eligible Participants on Exercise*

Subject to the provisions of the Share Incentive Plan, an Option may be exercised by the Optionee in whole at any time, or in part from time to time, during the Option period, provided however that, except as otherwise specifically provided by the provisions of the Share Incentive Plan or in any employment contract, no Option may be exercised unless the optionee at the time of exercise thereof is:

- (a) in the case of an eligible employee, an officer of the Company or a designated affiliate of the Company or in the employment of the Company or a designated affiliate of the Company and has been continuously an officer or so employed since the date of the grant of such Option, provided, however, that a leave of absence with the approval of the Company or such designated affiliate of the Company will not be considered an interruption of employment for purposes of the Share Incentive Plan;
- (b) in the case of an eligible director who is not also an eligible employee, a director of the Company or a designated affiliate of the Company and has been such a director continuously since the date of the grant of such Option; and
- (c) in the case of any other eligible participant, engaged, directly or indirectly, in providing ongoing management, consulting or other services for the Company or a designated affiliate of the Company and has been so engaged since the date of the grant of such Option.

### *Lapsed Options*

If Options granted under the Share Incentive Plan are surrendered, terminate or expire without being exercised in whole or in part, new Options may be granted covering the Ordinary Shares not purchased under such lapsed Options.

### *Effect of Death*

If a participant or, in the case of a person or corporation engaged to provide ongoing management or consulting services for the Company or a designated affiliate of the Company which is not an individual, the primary individual providing services to the Company or designated affiliate of the Company on behalf of the person or corporation engaged to provide ongoing management or consulting services, shall die, any Option held by such participant or individual at the date of such death shall become immediately exercisable notwithstanding any term or condition of such Option, and shall be exercisable in whole or in part only by the person or persons to whom the rights of the Optionee under the Option shall pass by the will of the deceased or the laws of descent and distribution until the expiration of the Option period in respect of such Option (or such shorter period of time as is otherwise provided in

an employment contract or the terms and conditions of any Option), but only to the extent that such Optionee was entitled to exercise the Option at the date of the deceased's death in accordance with the terms of the Share Incentive Plan.

#### *Effect of Termination of Employment or Services*

If a participant: (i) ceases to be a director of the Company and of the designated affiliates of the Company (and is not or does not continue to be an employee thereof) for any reason (other than death); or (ii) ceases to be employed by, or provide services to, the Company or the designated affiliates of the Company (and is not or does not continue to be a director or officer thereof), or any corporation engaged to provide services to the Company or the designated affiliates of the Company, for any reason (other than death) or receives notice from the Company or any designated affiliate of the Company of the termination of his or her employment contract, except as otherwise provided in any employment contract or the terms and conditions of any Option, in situations of termination not for cause, such participant will have 90 days (unless extended by the Board) following termination to exercise his or her Options to the extent that such participant was entitled to exercise such Options at the date of termination, and, in situations other than a termination not for cause, any Options held by such participant on the date of such termination shall be forfeited and cancelled as of that date. Notwithstanding the foregoing or any employment contract, in no event may such right extend beyond the Option period.

#### *Acceleration on Take-Over Bid*

If a take-over bid (within the meaning of the *Securities Act* (Ontario)) or a general offer for the Company pursuant to the City Code (in either case in respect of all or a portion of the outstanding Ordinary Shares) or a scheme of arrangement pursuant to the UKCA (as a means of effecting the acquisition by a purchaser of all of the outstanding Ordinary Shares), then the Committee may permit all Options outstanding to become immediately exercisable in order to permit Ordinary Shares issuable under such Options to be tendered to such take-over bid, sold pursuant to such general offer or be acquired upon any scheme of arrangement becoming effective in accordance with its terms.

#### *Change of Control*

If, at the time of a change of control, the participant is an officer or employee of the Company or of any designated affiliate of the Company and, within 12 months of such change of control, the Company terminates the employment or services of said participant for any reason other than cause or an involuntary termination occurs with respect to such officer or employee of the Company or of any designated affiliate of the Company, then, on the date of such event of termination, all of the participant's Options shall immediately vest, if not already vested.

If, at the time of a change of control, the participant is not an officer or employee of the Company or of any designated affiliate of the Company, then all of the participant's Options shall immediately vest on the date of the change of control, if not already vested.

In either of the foregoing events, as applicable, all Options so vested may be exercised in whole or in part by the participant from such applicable date until the expiry of their respective Option periods, except as otherwise provided in any employment contract or the terms and conditions of any Option.

#### *Suspension, Termination or Amendments*

The Committee has the right, under the Share Incentive Plan, without the approval of the shareholders of the Company, to suspend or terminate (and to re-instate) the Share Incentive Plan, and to make certain amendments to the Share Incentive Plan, including the following amendments:

- (a) any amendment of a "housekeeping" nature, without limitation, amending the wording of any provision of the Share Incentive Plan for the purpose of clarifying the meaning of existing provisions or to correct or supplement any provision of the Share Incentive Plan that is inconsistent with any other provision of the Share Incentive Plan, correcting grammatical or typographical errors and amending the definitions contained within the Share Incentive Plan;

- (b) any amendment to comply with the rules, policies, instruments and notices of any regulatory authority to which the Company is subject, including the TSX or the LSE (as applicable), or to otherwise comply with any applicable law or regulation;
- (c) any amendment to the vesting provisions of the Share Incentive Plan, other than changes to the expiration date and the exercise price of an Option;
- (d) any amendment, with the consent of the Optionee;
- (e) other than changes to the expiration date and the exercise price of an Option as described in the Share Incentive Plan, any amendment, with the consent of the Optionee, to the terms of any Option previously granted to such Optionee under the Share Incentive Plan;
- (f) any amendment to the provisions concerning the effect of the termination of a participant's position, employment or services on such Optionee's status under the Share Incentive Plan;
- (g) any amendment respecting the administration or implementation of the Share Incentive Plan; and
- (h) any amendment to provide a cashless exercise feature to any Option or the Share Incentive Plan, provided that such amendment ensures the full deduction of the number of underlying Ordinary Shares from the total number of Ordinary Shares subject to the Share Incentive Plan.

The Committee has the right, under the Share Incentive Plan, with the approval of the shareholders of the Company by ordinary resolution, to make the following amendments to the Share Incentive Plan:

- (a) any change to the number of Ordinary Shares issuable from treasury under the Share Incentive Plan, including an increase to the fixed maximum number of Ordinary Shares or a change from a fixed maximum number of Ordinary Shares to a fixed maximum percentage;
- (b) any amendment which would change the number of days with respect to the extension of the expiration date of Options expiring during or immediately following a blackout period;
- (c) any amendment which reduces the exercise price of any Option;
- (d) any amendment which extends the expiry date of an Option;
- (e) any amendment which cancels any Option and replaces such Option with an Option which has a lower exercise price;
- (f) any amendment which would permit Options to be transferred or assigned by any participant other than as currently contemplated by the Share Incentive Plan;
- (g) any amendments to the limits on non-employee director participation;
- (h) any amendment to the definition of "Participant" under the Share Incentive Plan which would have the potential of narrowing, broadening or increasing insider participation; and
- (i) any amendment to the amending provisions of the Share Incentive Plan.

Notwithstanding the foregoing, any amendment to the Share Incentive Plan shall be subject to the receipt of all required regulatory approvals including, without limitation, the approval of the TSX, or such other principal market upon with the Ordinary Shares are traded and taking into account any recommendations of the Company's nominated adviser, SP Angel.

### *Assignability*

No rights under the Share Incentive Plan and no Option awarded pursuant to the provisions of the Share Incentive Plan are assignable or transferable by any participant other than pursuant to a will or by the laws of descent and distribution.

### *Changes in Capital*

In the event there is any change in the Ordinary Shares, whether by reason of a stock dividend, consolidation, subdivision, reclassification or otherwise, an appropriate adjustment will be made to the awards granted under the Share Incentive Plan by the Committee, including without limitation, in the number of Ordinary Shares available under the Share Incentive Plan, the number of Ordinary Shares subject to any Option and the exercise price of the Ordinary Shares subject to Options.

### *Consolidation, Merger, etc.*

If there is a consolidation, merger or statutory amalgamation or arrangement of the Company with or into another corporation, a separation of the business of the Company into two or more entities or a transfer of all or substantially all of the assets of the Company to another entity, unless the Committee otherwise determines acting reasonably, upon the occurrence of such consolidation, merger, amalgamation, arrangement, separation or transfer, where the surviving or acquiring entity is a corporation, then the surviving or acquiring entity will substitute or replace similar options to purchase securities in the surviving or acquiring entity for the Options outstanding under the Share Incentive Plan on substantially the same terms and conditions as the Share Incentive Plan, provided that if surviving or acquiring entity is not a corporation, the Committee shall determine the basis upon which such Option shall be exercisable.

### *Securities Exchange Take-Over Bid*

In the event that the Company becomes the subject of a take-over bid (within the meaning of the *Securities Act* (Ontario)) pursuant to which 100% of the outstanding Ordinary Shares are acquired by the offeror either directly or as a result of the compulsory acquisition provisions, and where consideration is paid in whole or in part in equity securities of the offeror, the Committee may send notice to all Optionees requiring them to surrender their Options within 10 days of the mailing of such notice, and the Optionees shall be deemed to have surrendered such Options on the tenth day after the mailing of such notice without further formality, provided that the Committee delivers with such notice an irrevocable and unconditional offer by the offeror to grant replacement options to the Optionees on the equity securities offered as consideration, and the Committee has determined, in good faith, that such replacement options have substantially the same economic value as the Options being surrendered.

## **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

In June 2012, loans were extended to entities associated with four parties who were officers or employees of the Company at that time (being Mal Norris, Damien Luloffs, Bruce Rohrlach and Wendy Collins). These loans related to the subscription funds for a total of 10,700 Ordinary Shares. Upon their leaving the employment of the Company, these loans were forgiven on mutually agreed upon terms. Apart from these loans, no director or officer of the Company, or any associate or affiliate of such person, is or ever has been indebted to the Company with respect to the purchase of securities or otherwise; nor has any such person's indebtedness to any other entity been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Company.

## **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day-to-day management of the Company. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making. The following is a summary of the Company's approach to corporate governance.

## **Board of Directors**

The Board is made up of one Executive Director and four Non-Executive Directors. Nicholas Mather is the Executive Director.

NI 58-101 sets out the standard for director independence. Under NI58-101, a director is independent if he or she has no direct or indirect material relationship with the Company. A material relationship is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 59-101 also sets out certain situations where a director will automatically be considered to have a material relationship with the Company. The following members of the Board are independent in accordance with NI 58-101: John Bovard, Dr. Robert Weinberg, Brian Moller and Craig Jones. Nicholas Mather is not independent as he is the Chief Executive Officer of the Company. A majority of the directors are independent.

The Chair of the Board is Brian Moller, who is an independent director. As Chair, Mr. Moller is responsible for leadership of the Board, for efficient organization and conduct of the Board's function and the briefing of all directors in relation to issues arising at Board meetings. The Chair is also responsible for shareholder communication and arranging Board performance evaluation.

It is the Board's policy to maintain independence by having at least half of the Board comprising Non-Executive Directors who are free from any material business or other relationship with the Company. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The independent directors do not hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, where deemed necessary by the independent directors, the independent directors hold in-camera sessions exclusive of non-independent directors and members of management, which process facilitates open and candid discussion among the independent directors.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Company's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board also receives summary financial and operational reports before each Board meeting. The Board delegates certain of its responsibilities to management, who have clearly defined terms of reference.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Company's expense in the furtherance of his duties.

## **Attendance Record**

Since July 1, 2016, there has been fourteen (14) Board meetings. All directors that were eligible to attend the meetings attended.

## **Board Mandate**

Please see Schedule "B" – "Matters Reserved for the Board of Directors" for the text of the Board's written mandate.

## **Position Descriptions**

Please see Schedule "A" – "Corporate Governance Charter" for the written description of the roles of the CEO, the Chair of the Board, the Chair of the Audit and Risk Management Committee and the Chair of the Remuneration Committee.

## **Other Directorships**

None of the directors of the Company are also directors of other issuers that are "reporting issuers" as that term is defined in and for the purposes of Canadian securities legislation. Orientation and Continuing Education

Incoming directors are provided with access to the CEO, and the Company Secretary to gain a full understanding of the Company, its projects, personnel and policies & procedures. Via the CFO and the Company Secretary, incoming directors are able to access the Board materials and minutes for the previous 12 months, and may also obtain copies of any material contracts, reports, or stock market releases to assist with their understanding.

At all times directors are encouraged to attend any professional course or update relevant to the discharge of their duties as a director of the Company. Directors are also encouraged to visit the Company's project sites as practical, and attend any international mining conferences at which the Company may present.

## **Ethical Business Conduct**

In formulating the Company's corporate governance procedures the Board takes due regard of the principles of good governance set out in the *UK Corporate Governance Code* (the "**Code**") to the extent they consider appropriate in light of the Company's size, stage of development and resources. However, given the size of the Company, at present the Board does not consider it necessary to adopt the Code in its entirety.

The Company has adopted a written corporate ethics policy (the "**Corporate Ethics Policy**"), which has been agreed to by each of the members of the directors of the Company. The Corporate Ethics Policy sets out the obligations of integrity and honesty of each member of the Board and their obligations with respect to, amongst other matters, conflicts and interests and dealing in securities in the Company. The Corporate Ethics Policy is set out in the Company's Corporate Governance Charter, which is attached as Schedule "A" to this AIF.

Whilst the Board does not monitor compliance with its Corporate Ethics Policy, each of the members of the Board are experienced directors and are both familiar with the Corporate Ethics Policy as well as current corporate governance requirements for listed companies in a number of different jurisdictions. Additionally, the Board has the benefit of access to an experienced Company Secretary and legal counsel. This places the members of the Board in a position to satisfy themselves regarding compliance with its code.

## **Board Committees**

The Board has appointed the Audit and Risk Management Committee, the Remuneration Committee and the Health, Safety, Environment and Community Committee.

### *Audit and Risk Management Committee*

The Audit and Risk Management Committee meets not less than twice a year and is responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored as well as liaising with the Company's auditor to discuss financial statements and the Company's internal controls.

The members of the Audit and Risk Management Committee are Craig Jones, John Bovard and Dr. Robert Weinberg. The Executive Director attends meetings by invitation, if appropriate. Brian Moller is the Chair of the Audit and Risk Management Committee.

See "*Audit and Risk Management Committee*".

### *Remuneration Committee*

Remuneration of the Executive Director is established by reference to the remuneration of executives of equivalent status both in terms of the level of responsibility of the position and by reference to their job qualifications and skills. The Remuneration Committee also has regard to the terms which may be required to attract an executive of equivalent



experience to join the Board from another company. Such packages include performance related bonuses and the grant of Options.

The members of the Remuneration Committee are John Bovard, Nicholas Mather, Dr. Robert Weinberg and Brian Moller. John Bovard is the Chair of the Remuneration Committee.

See "*Executive Compensation*".

#### *Health, Safety, Environment and Community Committee*

The Health, Safety, Environment and Community Committee is responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community. All of the members of the Board are Chairs and members of the Health, Safety, Environment and Community Committee.

#### **Nomination of Directors**

The Board does not currently have a formal nominating committee. Rather the Board as a whole is responsible for identifying and recommending candidates for the Board. The Board reviews and makes determinations with respect to: (i) the size and composition of the Board; (ii) the organization and responsibilities of the appropriate committees of the Board; (iii) the evaluation process for the Board and committees of the Board and the Chair of the Board and such committees; and (iv) creating a desirable balance of expertise and qualifications among members of the Board. The Board does not take any formal steps to ensure that objectivity in the nomination process. In the nomination process, the Board assesses its current composition and requirements going forward in light of the stage of the Company and the skills required to ensure proper oversight of the Company and its operations.

Pursuant to the Newcrest Subscription Agreement (as varied by the Further Deed of Variation), the Company has granted to Newcrest International the Newcrest Board Appointment Right. For more information, see "*Newcrest Subscription Agreement*".

Pursuant to the Maxit Subscription Agreement, the Company has granted to Maxit Capital the Maxit Board Appointment Right. For more information, see "*Maxit Subscription Agreement*".

#### **Compensation**

The Board with the assistance of the Remuneration Committee, is responsible for approving compensation objectives and the specific compensation programs for policies and practices of the Company. For more information, see "*Executive Compensation*".

#### **Assessments**

The Board is responsible for assessing the effectiveness and contributions of the Board as a whole, its committees and individual directors. The Board undertakes this assessment periodically, although, no formal report in this regard has been prepared to date.

#### **Policies Regarding the Representation of Women**

The Board has not adopted any written policy relating to the identification and nomination of women directors. However, as part of the discharge of the Board's responsibilities under the Corporate Governance Charter, the Board is required to recommend procedures, including but not limited to strategies to address Board diversity and increasing the proportion of women in the Company, for adoption by the Board for the proper oversight of the Board and senior management. When the Board considers the Company to be of a sufficient size or complexity, it intends to establish a sub-committee of the Board dedicated to reporting on diversity-related matters, from time to time, by way of a report submitted to the Board which must include: (i) details of the policies introduced to address Board and employee diversity, including but not limited to strategies to increase the proportion of women at all levels of the Company; and (ii) details of the proportion of women employees in the whole organisation, women in senior executive positions and

women on the Board. Currently, no such procedures or strategies have been developed. Currently, none of the members of the Board or the officers of the Company are women (i.e., 0% of the members of the Board and 0% of the executive officers of the Company are women).

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

### **Audit and Risk Management Committee Charter**

The responsibilities of the Audit and Risk Management Committee are set out in the Company's Corporate Governance Charter, which is attached as Schedule "A".

### **Composition of the Audit and Risk Management Committee**

The Audit and Risk Management Committee meets not less than twice a year and is responsible for ensuring that the financial performance, position and prospects of the Company are properly monitored as well as liaising with the Company's auditor to discuss financial statements and the Company's internal controls. The Executive Director attends meetings by invitation, if appropriate.

The Audit and Risk Management Committee is comprised of three members, all of whom are independent directors of the Company, namely: Brian Moller, John Bovard and Dr. Robert Weinberg. Brian Moller is the Chair of the Audit and Risk Management Committee.

### **Relevant Education and Experience**

Name	Relevant Education and Experience	Independent	Financially Literate
Brian Moller	Member of the audit committee of DGR Global since 2003, member of the audit committee of Dark Horse Resources Limited since 2011, member of the audit committee of Aguiá Resources Limited since 2014, chair of the audit committee of Platina Resources Limited since 2010 and a member of the audit and risk management committee of Aus Tin Mining Limited since 2010.	Yes	Yes
John Bovard	Member of the audit and risk management committee of Aus Tin Mining Limited since 2010 and member of the audit committee of Orbis Gold Limited from 2010 until 2015.	Yes	Yes
Dr. Robert Weinberg	Managing director of the Institutional Investment at the World Gold Council from 2000 until 2004 and director of the investment banking division at Deutsche Bank in London from 1995 until 1999.	Yes	Yes

### **External Auditor Service Fees**

Since 2006, BDO LLP has been the Company's auditor. The fees billed to the Company by the Company's auditor since July 1, 2016, by category, are as follows:

Period	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
July 1, 2016 – June 30, 2017	A\$99,674	Nil	A\$2,587	Nil

## **RISK FACTORS**

*An investment in Ordinary Shares, as well as the Company's mineral projects and prospects, is highly speculative due to the high-risk nature of its business and the present stage of its development. Investors may lose their entire investment. The risks described below are not the only ones facing the Company. Additional risks not currently known to the Company, or that the Company currently deems immaterial, may also impair the Company's operations. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the risks described below or other unforeseen risks. If any of the following risks actually occur, the Company's business, financial condition and operating results could be adversely affected. Investors should carefully consider the risks below and the other information elsewhere in this AIF and consult with their professional advisors to assess any investment in the Company.*

### **The Company may not be able to obtain the financing needed to fund its activities**

The Company's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds and/or its ability to generate revenue from its projects. The need for and amount of any additional funds required is currently unknown and will depend on numerous factors related to the Company's current and future activities.

If required, the Company would seek additional funds, through equity, debt or joint venture financing. There can be no assurance that any such equity, debt or joint venture financing will be available to the Company in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings, and debt financing, if available, and may involve restrictions on further financing and operating activities.

If adequate funds are not available on acceptable terms, the Company may not be able to take advantage of opportunities or otherwise respond to competitive pressures, as well as possibly resulting in the delay or indefinite postponement of the Company's activities.

### **Estimating mineral reserves and mineral resources involves significant uncertainty**

There is no certainty that the Company will identify commercially mineable mineral reserves or mineral resources at any of its mineral projects or prospects. The exploration for, and development of, mineral deposits involves significant uncertainties and the Company's operations will be subject to all of the hazards and risks normally encountered in such activities, particularly given the terrain and nature of the activities being undertaken. Although precautions to minimise risks will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

The targets identified by the Company's personnel and consultants, are based on current experience and modelling and all available data. There is no guarantee that surface sample grades of any metal or mineral taken in the past will persist below the surface of the ground. Furthermore, there can be no guarantee that the estimates of quantities and grades of gold and minerals disclosed will be available for extraction and sale.

Mineral reserve and mineral resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, mineral reserve and mineral resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

### **There is no assurance that title defects do not and will not exist**

SolGold's tenements and interest in tenements are subject to the various conditions, obligations and regulations which apply in the relevant jurisdictions including Ecuador in South America, Queensland, Australia and the Solomon Islands. If applications for title or renewal are required this can be at the discretion of the relevant government minister or officials. If approval is refused, SolGold will suffer a loss of the opportunity to undertake further exploration, or

development, of the tenement. SolGold currently knows of no reason to believe that current applications will not be approved, granted or renewed. Some of the properties may be subject to prior unregistered agreements or transfers or native or indigenous peoples' land claims and title may be affected by undetected defects or governmental actions. No assurance can be given that title defects do not exist. If a title defect does exist, it is possible that SolGold may lose all or a portion of the property to which the title defects relates.

### **The Company must comply with permitting regimes in different jurisdictions**

As with all jurisdictions in which SolGold operates, a particular permitting regime exists in Ecuador with which SolGold must comply. Before commencing any exploration activity, SolGold may be required to negotiate access and compensation arrangements with any interested land access groups and relevant authorities in Ecuador. SolGold has engaged experienced advisors and consultants to assist with negotiations; however, there is no guarantee that all necessary access and compensation arrangements will be entered in a timely manner, on favourable terms, without onerous conditions or at all. Similarly, no guarantees can be made as to timeframes within which negotiations may be finalized or the reasonableness of third parties. Failure to obtain all necessary permits, licences and access and compensations arrangements may have a material adverse effect on SolGold.

### **There is a risk that native titles may exist in relation to SolGold's projects in Australia**

The effect of the *Native Title Act 1993* (Cth), as amended ("NTA") is that existing and new tenements held by SolGold in Australia may be affected by native title claims and procedures. SolGold has not undertaken the historical, legal or anthropological research and investigations at the date of this report that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement.

There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by SolGold which may affect the operation of SolGold's business and development activities. In the event that it is determined that native title does exist or a native title claim is registered, SolGold may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights such as a mining lease. Such procedures may take considerable time, involve the negotiation of significant agreements, involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming native title in the land which is the subject of a tenement. The administration and determination of native title issues may have a material adverse impact on the position of SolGold in terms of its cash flows, financial performance, business development, ability to pay dividends and share price.

### **Commodity price fluctuations can result in unanticipated losses**

There is a possibility that SolGold's future revenues will be derived mainly from gold and copper and/or from royalties gained from potential joint ventures or from mineral projects sold. Also, during operations by SolGold, the revenues earned will be dependent on the terms of any agreement for the activities. Consequently, SolGold's potential future earnings could be closely related to the price of either of these commodities.

Gold and copper prices fluctuate and are affected by numerous industry factors, many of which are beyond the control of SolGold. Such factors include, but are not limited to, demand for CDIs, technological advancements, forward selling by producers, production cost levels in major producing regions, macroeconomic factors, inflation, interest rates, currency exchange rates and global and regional demand for, and supply of, gold and copper.

If the market price of gold and copper sold by SolGold were to fall below the costs of production and remain at such a level for any sustained period, SolGold would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, SolGold would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

### **There is no certainty the Company's current or future projects and strategies will develop as anticipated**

If the Company discovers a potentially economic mineral resource or mineral reserve, there is no assurance that the Company will be able to develop a mine thereon, or otherwise commercially exploit such mineral resource or mineral reserve. Further, there can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations as operations expand. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

#### **Currency fluctuations can result in unanticipated losses**

The future of the Ordinary Shares and the Company's asset and liability values may fluctuate in accordance with movements in the foreign currency exchange rates. For example, it is common practice in the mining industry for mineral production revenue to be denominated in US\$, although most but not all of the costs of exploration and production will be incurred in US\$ and not all of the mineralized material or metal obtained from the tenements will, if sold, be sold in US\$ denominated transactions. Accordingly, foreign currency fluctuations may adversely affect the Company's financial position and operating results.

#### **The loss of land access would be material and adverse**

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which propriety knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or indigenous claims. Immediate access to land in the areas of activities cannot in all cases be guaranteed. SolGold may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, SolGold's tenements. Compensation may be required to be paid by SolGold to land holders so that SolGold may carry out exploration and/or mining activities. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted.

Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

Mining and exploration operations in the Solomon Islands involve a complex land tenure structure. While the tenements and access agreements entered into with each of Australian Resource Management Pty Ltd. and Honiara Holdings Pty Ltd. and various landowners have permitted exploration on such tenements for the duration of the term of each prospecting licence, the existing legislative framework only provides for limited forms of negotiation between the landowners/community leaders and mining companies. It is the Director of Mines and the mining tenement holder that ultimately determine which landowners and community leaders the Company will need to negotiate with. SolGold does not guarantee that the identifications made to date and upon which the access agreements are currently based may not be contested. As a consequence, there may be unexpected difficulties experienced in progressing a promising resource into a commercial mining operation. While SolGold believes that it is entitled to rely on its access agreements in order to conduct exploration within these areas, no assurance can be given that there may not be some future challenge to SolGold's ability to do so.

Whilst SolGold has entered into access agreements with landowners covering the majority of the prospective areas identified by SolGold within the tenements, its ability to carry out exploration in the residual areas will require additional access agreements to be entered into. The ability of SolGold to secure the benefits of all the access agreements is dependent upon, inter alia, the contracting parties' willingness to perform and discharge their obligations thereunder. There may be legal and commercial limitations in respect of enforcement of contractual rights. Additionally, SolGold will not be permitted to explore in areas nominated by the landowners as reserved or protected areas in the Solomon Islands under Section 4(2) of the Mining Act.

Whilst SolGold is actively seeking to liaise with landowners to identify relevant reserved or protected areas, some considerable uncertainty exists as to the precise location of these areas, the identification of which requires the input of the indigenous population. The inability of SolGold to identify these areas, or a claim by landowners that reserved or protected areas exist over areas identified by SolGold as prospective, may have a material adverse effect on the ability of SolGold to conduct its exploration programme in the manner identified in this document.

Government policy, impassable or difficult access as a result of the terrain, seasonal climatic effects or inclement weather can also adversely impact SolGold's activities.

### **Compliance with environmental regulations can be costly**

SolGold's operations and projects are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. The Company's activities are or will be subject to in-country national and local laws and regulations regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. In certain circumstances, these laws and regulations require the remediation of current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on SolGold for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by SolGold or its subsidiaries, or non-compliance with environmental laws or regulations. SolGold proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations, and where possible, by carrying appropriate insurance coverage. Nevertheless, there are certain risks inherent in SolGold's activities which could subject it to extensive liability.

### **The Company conducts its business and operations in different jurisdictions and is subject to geopolitical, regulatory and sovereign risks**

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of SolGold.

SolGold's mineral exploration tenements are located in Ecuador, the Solomon Islands and Australia and are subject to the risks associated with operating both in domestic and foreign jurisdictions. As the Solomon Islands and Ecuador are developing countries, their legal and political systems are emerging when compared to those in operation in Australia and the United Kingdom. Such risks include, but are not limited to:

- economic, social or political instability or change;
- hyperinflation, currency non-convertibility or instability;
- changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, resource rent taxes, repatriation of capital, environmental protection, mine safety, labour relations;
- government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents; and
- delays and declines in the standard and effective operation of SolGold's activities, unforeseen and un-budgeted costs, and/or threats to occupational health and safety as a consequence of geopolitical, regulatory and sovereign risk.

#### *Ecuador*

Ecuador regulations have broad authority to shut down and/or levy fines against facilities that do not comply with regulations or standards. SolGold's Cascabel Project in Ecuador may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in that jurisdiction. Operations may

be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety. Additionally, SolGold's operations may be detrimentally affected in the event that the Ecuadorian government were to default on its foreign debt obligations or become subject to wider global economic and investment uncertainty. SolGold is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador, however any future or proposed changes may adversely affect the Cascabel Project or SolGold's ability to operate successfully in Ecuador.

Under the current legislative regime, a mining corporation and the Government of Ecuador must enter into an exploitation contract prior to exploitation of natural resources. There is no certainty that SolGold will be able to successfully enter into an exploitation contract, or enter into one on commercially favourable terms, and such a scenario may adversely impact on the Cascabel Project or render it uneconomical.

### *Queensland*

The Queensland Minister for Natural Resources, Mines and Energy conducts reviews from time to time of policies relating to the granting and administration of mining tenements. At present, SolGold is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the *Aboriginal Cultural Heritage Act 2003*, as amended and the *Torres Strait Islander Cultural Heritage Act 2003*, as amended (which commenced on April 16, 2004) impose duties of care which require persons, including SolGold, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires SolGold to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights' issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect SolGold's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

### *Solomon Islands*

The Solomon Island Mineral Board oversees mining and exploration in the Solomon Islands. The Solomon Islands Minerals Board may, from time to time, amend and review its policies on mining and exploration in the Solomon Islands. Any such changes in government policy may affect the ability of SolGold to conduct and undertake mining and exploration in the Solomon Islands.

### **The Company's directors and officers may face conflicts of interests**

Some of the persons who are or will be the Company's directors and officers are directors or officers of other natural resource or mining-related companies and these associations may give rise to conflicts of interest from time to time. As a result of these conflicts of interest, the Company may fail to take advantage of opportunities to participate in certain transactions, which may have a material adverse effect on the Company's financial position.

### **Ordinary Shares are subject to trading and volatility risks**

The trading price of securities of mineral exploration companies is subject to substantial volatility. This volatility is often based on factors both related and unrelated to the financial performance or prospects of the companies involved. The market price of the Ordinary Shares could be subject to significant fluctuations in response to variations in the Company's operating results, financial condition, liquidity and other internal factors and the outcome of the Company's mineral exploration activities. Factors that could affect the market price of the Ordinary Shares that are unrelated to

the Company's performance include global commodity prices and market perceptions of the attractiveness of mineral exploration companies.

#### **Additional financing may result in dilution of existing shareholders**

The Company intends to pursue the acquisition of additional investments in the resource sector through the purchase of royalties, revenue streams, and other direct and indirect investments. However, the Company will require additional funds to further such activities. To obtain such funds, the Company may sell additional securities including, but not limited to, the Ordinary Shares or some form of convertible security, the effect of which may result in a substantial dilution of the equity interests of the existing shareholders. Capital raised through debt financing would require the Company to make periodic interest payments and may impose restrictive covenants on the conduct of the Company's business. Furthermore, additional financings may not be available on terms favourable to the Company, or at all. A failure to obtain additional funding could the Company from making expenditures that may be required to implement the Company's growth strategy and grow or maintain the Company's operations.

#### **The Ordinary Shares do not pay dividends**

The Company does not currently anticipate declaring and paying dividends to its shareholders in the near future. It is the Company's current intention to apply net earnings, if any, in the foreseeable future to increasing its working capital. Prospective investors seeking dividend income should, therefore, not purchase the Ordinary Shares. The future dividend policy of the Company will be determined by the Board after taking into account many factors including the Company's operating results, financial condition and current and anticipated cash needs. Until the time that the Company does pay dividends, which it may never do, the shareholders will not be able to receive a return on their Ordinary Shares unless they sell them.

#### **The future sale of Ordinary Shares by existing shareholders could reduce the market price of the Ordinary Shares**

Sales of a substantial number of Ordinary Shares in the public market could occur. These sales, or the market perception that the holders of a large number of Ordinary Shares intend to sell Ordinary Shares, could reduce the market price of Ordinary Shares.

#### **There is a risk of publication of inaccurate or unfavourable research by securities analysts or other third parties**

The trading market for Ordinary Shares may rely in part on the research and reports that securities analysts and other third parties choose to publish about the Company. The Company does not control these analysts or other third parties. The price of the Ordinary Shares could decline if one or more securities analysts downgrade the Ordinary Shares or if one or more securities analysts or other third parties publish inaccurate or unfavourable research about the Company or cease publishing reports about the Company.

### **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

There are no legal proceedings outstanding, threatened or pending, as of the date of this AIF, by or against the Company or which the Company is a party, nor to the Company's knowledge are any such legal proceedings contemplated, which could become material to the shareholders.

There have not been any penalties or sanctions imposed against the Company by a court relating to provincial and territorial securities legislation or by a securities regulatory authority, nor have there been any other penalties or sanctions imposed by a court or regulatory body against the Company, and the Company has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority.



## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Within the three most recently completed financial years and during the current financial year, no director, executive officer, or shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Ordinary Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Company.

## AUDITOR, TRANSFER AGENTS AND REGISTRARS

The auditor of the Company is BDO LLP, located at 55 Baker Street, London, W1U 7EU, United Kingdom.

The transfer agent and registrar for the Ordinary Shares in the United Kingdom is Computershare Investor Services PLC, which is located at The Pavilions, Bridgwater Road, Bristol, BS99 7NH, United Kingdom.

The transfer agent and registrar for the Ordinary Shares in Canada is Computershare Investor Services Inc., which is located at 1500 Robert-Bourassa Blvd., Montreal, QC, H3A 3S8, Canada.

## MATERIAL CONTRACTS

Except for contracts made in the ordinary course of business, the following are the only material contracts entered into by the Company to the date hereof which are currently in effect and considered to be currently material:

1. Second Revised Cornerstone Term Sheet among the Company, Cornerstone, Cornerstone Ecuador S.A. and ENSA dated February 24, 2014. See "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".
2. Medea Engagement Letter dated between the Company and Medea Capital Partners Ltd. dated January 8, 2016. See "*Maxit Subscription Agreement*".
3. Maxit Subscription Agreement between the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) dated August 16, 2016. See "*Maxit Second Tranche Subscription Agreement*".
4. Maxit Second Tranche Subscription Agreement between the Company and Maxit Capital (by its general partner, Maxit Capital Inc.) dated on or about October 7, 2016. See "*Description of the Company's Business – History – Events Subsequent to 2016*".
5. Newcrest Subscription Agreement among the Company, Newcrest International and Newcrest Mining dated August 30, 2016 (as varied pursuant to the Further Deed of Variation between the parties dated September 26, 2016 and the Third Deed of Variation dated June 21, 2017). See "*Newcrest Subscription Agreement*".
6. Administration Services Agreement between the Company and DGR Global dated March 21, 2017. See "*Administration Services Agreement*".
7. Samuel Consultancy Agreement between the Company and Samuel dated June 23, 2017. See "*Executive Compensation – Components of Compensation Program – Employment Agreements and Potential Payments upon Termination*".

The material contracts described above are available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Company's issuer profile and may be inspected by shareholders during normal business hours at the Company's principal head and registered office located at c/o Locke and Lord (UK) LLP, 201 Bishopsgate, London, EC2M 3AB, United Kingdom.

## **INTERESTS OF EXPERTS**

No person or company, whose profession or business gives authority to a statement made by the person or company and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF, holds any beneficial interest, directly or indirectly, in any property of the Company or any of the Company's associates or affiliates, and no such person or company is expected to be elected, appointed or employed as a director, senior officer or employee of the Company or of an associate or affiliate of the Company.

BDO LLP, located at 55 Baker Street, London, W1U 7EU, United Kingdom, the auditor of the Company, has advised that it is independent with respect to the Company.

Information of a scientific or technical nature in respect of the Cascabel Project is included in this AIF based upon the Cascabel Technical Report, dated February 15, 2017 with an effective date of February 15, 2017, prepared by James Gilbertson, CGeol and peer reviewed by Alexandra Akyürek, CSci MIMMM of SRK Exploration, who are independent "qualified persons" under NI 43-101. To the best of the Company's knowledge, after reasonable inquiry, as of the date hereof, the aforementioned individuals and, as applicable, their firm, do not beneficially own, directly or indirectly, any Ordinary Shares.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the Company's most recent management information circular, which was mailed to shareholders and filed on SEDAR. Additional financial information is available in the comparative audited consolidated financial statements of the Company, together with the auditor's report thereon for the Company's most recently completed fiscal year and the Company's management's discussion and analysis in relation thereto, which are available on SEDAR.

## GLOSSARY OF TERMS

In this AIF, unless otherwise indicated or the context otherwise requires, the following terms shall have the meaning set forth below:

"**2015 Convertible Notes**" has the meaning ascribed to it under the heading "*Market for Securities – Prior Sales*".

"**3D IP**" has the meaning ascribed to it under the heading "*Cascabel Project – Exploration*".

"**AAS**" means atomic absorption spectroscopy.

"**ACN**" means Australian Company Number.

"**Administration Services**" has the meaning ascribed to it under the heading "*Administration Services Agreement*".

"**Administration Services Agreement**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Events Subsequent to 2016*".

"**Administrative Handover Date**" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".

"**AIF**" means this annual information form of the Company dated July 4, 2017.

"**AIM**" means the Alternative Investment Market of the London Stock Exchange.

"**Anti-Dilution Right**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Anti-Dilution Right*".

"**ARCOM**" means the Agency for Regulation and Control of Mining (Agencia de Regulacion y Control Minero).

"**ARM**" means Australian Resource Management (A.R.M) Pty Ltd.

"**Articles**" means the articles of association of the Company as at the date of this document.

"**AAS**" means atomic absorption spectroscopy.

"**Ag**" means silver.

"**Au**" means gold.

"**Audit and Risk Management Committee**" means the audit and risk management committee of the Company.

"**BHP Billiton**" means BHP Billiton plc.

"**Board**" means the board of directors of the Company.

"**Board Recommendation**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Undertakings by Newcrest International*".

"**Cascabel Project**" has the meaning ascribed to it under the heading "*Notice to Investors – Technical Information*".

"**Cascabel Technical Report**" has the meaning ascribed to it under the heading "*Notice to Investors – Technical Information*".

"**CEO**" means chief executive officer.

"CESA" means Cornerstone Ecuador S.A.

"CFO" means chief financial officer.

"City Code" means *The City Code on Takeovers and Mergers issued and administered by the Panel on Takeovers and Mergers* as recognised in the Companies Act.

"Code" means the *UK Corporate Governance Code*, as amended.

"Company" means SolGold plc, company number 05449516, a public limited company incorporated in England and Wales, and all successors thereto.

"Consultancy Fee" has the meaning ascribed to it under the heading "*Executive Compensation – Components of the Compensation Program – Employment Agreements and Potential Payments upon Termination*".

"Convertible Note Deeds" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2016*".

"Convertible Notes" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2016*".

"Cornerstone" means Cornerstone Capital Resources Inc.

"Cornerstone Shares" means the common shares in the capital of Cornerstone.

"Corporate Ethics Policy" has the meaning ascribed to it under the heading "*Corporate Governance – Ethical Business Conduct*".

"CRMs" means Certified Reference Materials.

"Cu" means copper.

"DAG" means the Dagua-Pinon terrane.

"DGR Global" means DGR Global Limited, ACN 052 354 837, an Australian listed public company registered in Queensland, Australia.

"ENSA" means Exploraciones Novomining S.A., an Ecuadorean registered company.

"Excess Shares" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2015*".

"Executive Director" means the Executive Director of the Company.

"Financing Option" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".

"First Revised Cornerstone Term Sheet" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – First Revised Cornerstone Term Sheet*".

"forward-looking statement" means statements made regarding future events or future performance, including management's expectation of future growth, results of operations and performance and business and the performance and business of the Company.

"**FPDP**" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".

"**Further Deed of Variation**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement*".

"**Further Raising**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Anti-Dilution Right*".

"**GOR**" means the Gorgona terrane.

"**GRMA**" means the *General Regulation of the Mining Act* (Ecuador), as amended.

"**GST**" has the meaning given to it in the GST Law.

"**GST Law**" means the *A New Tax System (Goods and Services Tax) Act 1999* (Cth) and the related imposition acts.

"**Health, Safety, Environment and Community Committee**" means the Health, Safety, Environment and Community Committee of the Company.

"**ICP**" means inductively coupled plasma.

"**INEMIN**" means the Belgian Mission and the Ecuadorian Institute of Mining.

"**Initial Maxit Subscription**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Event Subsequent to 2016*".

"**JICA**" means Japan International Cooperation Agency of the Metal Mining Agency of Japan.

"**Main Market**" means the Main Market of the London Stock Exchange.

"**Ma**" means million years ago.

"**Maxit Board Appointment Right**" has the meaning ascribed to it under the heading "*Maxit Subscription Agreement – Board Appointment Right*".

"**Maxit Capital**" means Maxit Capital LP.

"**Maxit Minimum Holding**" has the meaning ascribed to it under the heading "*Maxit Subscription Agreement – Board Appointment Right*".

"**Maxit Second Tranche Subscription**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Event Subsequent to 2016*".

"**Maxit Second Tranche Subscription Agreement**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Event Subsequent to 2016*".

"**Maxit Subscription Agreement**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Event Subsequent to 2016*".

"**Mbetilonga Application**" has the meaning ascribed to it under the heading "*Other Exploration – Solomon Islands*".

"**MCP**" means Media Capital Partners Ltd.

"**Medea Engagement Letter**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2016*".

"**Mining Act**" means the *Mining Act, 2009* (Ecuador), as amended.

"**Mn**" means manganese.

"**Mo**" means molybdenum.

"**Named Executive**" or "**NEOs**" has the meaning ascribed to it under the heading "*Executive Compensation – Compensation Objectives*".

"**New Issue**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Anti-Dilution Right*".

"**Newcrest**" means collectively, Newcrest International and Newcrest Mining.

"**Newcrest Board Appointment Right**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Board Appointment Right*".

"**Newcrest International**" means Newcrest International Pty Ltd., ACN 007 449 194, an Australian private company registered in Victoria, Australia.

"**Newcrest Minimum Holding**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Board Appointment Right*".

"**Newcrest Mining**" means Newcrest Mining Limited., ACN 005 683 625, an Australian listed public company registered in Victoria, Australia.

"**Newcrest Subscription Agreement**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Events Subsequent to 2016*".

"**NI 43-101**" means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects*.

"**NI 58-101**" means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

"**NOMAD**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Board Appointment Right*".

"**Non-Executive Director**" means the Non-Executive Director of the Company.

"**NSR**" means net smelter return.

"**NTA**" has the meaning ascribed to it under the heading "*Risk Factors*".

"**Offer**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Top-Up Right*".

"**Open Offer**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2015*".

"**Open Offer Issue Price**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2015*".

"**Open Offer Shares**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2015*".

"**Optional Subscription**" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".

"**Optionee**" has the meaning ascribed to it under the heading "*Options to Purchase Securities*".

"**Options**" has the meaning ascribed to it under the heading "*Description of Capital Structure – Options*".

"**Order**" has the meaning ascribed to it under the heading "*Cease Trade Orders, Bankruptcies, Penalties or Sanctions – Corporate Cease Trade Orders*".

"**Ordinary Shares**" means ordinary shares in the capital of the Company.

"**OTCQB**" means the OTC Markets Group's OTCQB.

"**Other Transaction**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Anti-Dilution Right*".

"**PAT**" means the Pacific assemblage.

"**Pb**" means lead.

"**Phase 1**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2016*".

"**Phase 2**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – 2016*".

"**QAQC**" means quality assurance and quality control.

"**RCP Shareholder Resolutions**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Undertakings by Newcrest International*".

"**Relevant Control Proposal**" means an "Offer" (as that term is defined in the City Code), or other proposal or transaction for control of the Company, or any bid or proposal for control of, or major dealing with or in respect of the Cascabel Project or any of the Cascabel mining concessions (including but not limited to any proposal to make any of the Cascabel concessions subject to a security interest), which Offer, bid, transaction or other proposal is made by any person other than DGR Global or a party who is acting in concert, or affiliated with, DGR Global.

"**Relevant Period**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Top-Up Right*".

"**Remuneration Committee**" means the Remuneration Committee of the Company.

"**RO**" means the Romeral terrane.

"**Roque-Albelo Diminution Termination**" has the meaning ascribed to it under the heading "*Executive Compensation – Components of the Compensation Program – Employment Agreements and Potential Payments upon Termination*".

"**RTZ**" means Rio Tinto Zinc Corporation.

"**Samuel**" means Samuel Capital Pty Ltd., ACN 078 336 044, an Australian private company registered in Queensland, Australia.

"**Samuel Consultancy Agreement**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Events Subsequent to 2016*".

"**Santa Barbara**" means Santa Barbara Resources Ltd.

"**SBCG**" means Santa Barbara Copper & Gold S.A.

"**Second Revised Cornerstone Term Sheet**" has the meaning ascribed to it under the heading "*Cornerstone Term Sheets – Second Revised Cornerstone Term Sheet*".

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval.

"**Services**" has the meaning ascribed to it under the heading "*Executive Compensation – Components of the Compensation Program – Employment Agreements and Potential Payments upon Termination*".

"**Share Incentive Plan**" has the meaning ascribed to it under the heading "*Description of the Company's Business – History – Events Subsequent to 2016*".

"**SolGold**" means SolGold plc, Company Number 05449516, a public limited company incorporated in England and Wales, and all successors thereto.

"**SP Angel**" means SP Angel Corporate Finance LP.

"**SRK Exploration**" means SRK Exploration Services Ltd.

"**TAA**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Technical Advisory Agreement*".

"**Tenstar**" means Tenstar Trading Limited.

"**Top-Up**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Top-Up Right*".

"**Top-Up Event**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Top-Up Right*".

"**Top-Up Right**" has the meaning ascribed to it under the heading "*Newcrest Subscription Agreement – Top-Up Right*".

"**TSX**" means Toronto Stock Exchange.

"**UKCA**" means the *Companies Act 1985* (United Kingdom), as amended.

"**VWAP**" means volume weighted average price.

"**Ward Consultancy Agreement**" has the meaning ascribed to it under the heading "*Executive Compensation – Components of the Compensation Program – Employment Agreements and Potential Payments upon Termination*".

"**Whistler Diminution Termination**" has the meaning ascribed to it under the heading "*Executive Compensation – Components of the Compensation Program – Employment Agreements and Potential Payments upon Termination*".

"**WTR**" means western tectonic realm.

"**Zn**" means zinc.



**SCHEDULE "A"**  
**CORPORATE GOVERNANCE CHARTER**

See attached.

## **SCHEDULE "B"**

### **MATTERS RESERVED FOR THE BOARD OF DIRECTORS**

#### **1. MANAGEMENT STRUCTURE AND APPOINTMENTS**

- Board and other senior management (the Chief Executive Officer and the Company Secretary) appointments or removals.
- Board and senior management succession, training, development and appraisal.
- Execute appropriate strategies to monitor performance of the Board in implementing its functions and powers.
- Remuneration, contracts, grants of options and incentive arrangements for senior management (if not delegated to a committee).
- Delegation of the Board's powers, and establishment of a Delegation of Authority Matrix for the Company.
- Appoint and oversee the membership of committees and agree terms of reference of board committees and task forces.
- Matters referred to the Board by the Board committees.
- Directors' conflicts or potential conflicts of interest.

#### **2. STRATEGIC/POLICY CONSIDERATIONS**

- Business strategy.
- Regulatory compliance with all relevant laws (Corporation Act, CA2006, the ASX Listing Rules and the AIM Rules, etc.).
- Corporate Governance, Policies and Procedures.
- Specific risk management policies including insurance, hedging, borrowing limits and corporate security.
- Agreement of codes of ethics and business practices.
- Review and assess risk management and internal compliance and control, codes of conduct and legal compliance.
- Avoidance of wrongful or fraudulent trading.

#### **3. TRANSACTIONS**

- Acquisitions and disposals of subsidiaries or other substantive assets.
- Investment and other capital expenditure projects.
- Actions or transactions where there may be doubt over propriety.
- Approval of public announcements, prospectuses, circulars and similar documents.
- Disclosure of directors' interests.
- Transactions with directors or other related parties.

#### **4. FINANCE**

- Approve and monitor Capital expenditure, capital management and Capital adequacy.
- Raising new capital and confirmation of major financing facilities.
- Discussion of any proposed qualification to the financial statements.
- Final approval of annual and interim reports, financial statements and accounting policies.
- Appointment/proposal of and liaise with the Company's external auditor.
- Approval annual budgets for the coming year.

#### **5. GENERAL**

- Allotment, calls or forfeiture of shares.
- Shareholders and AIM communications.
- Calling of shareholders' meetings.