

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you should immediately consult a person authorised under the Financial Services and Markets Act 2000, as amended, ("FSMA") who specialises in advising on the acquisition of shares and other securities.

This document comprises a prospectus relating to SolGold plc ("the Company") and has been prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "FCA") made under section 73A of FSMA and has been filed with the FCA and has been made available to the public as required by the Prospectus Rules. This document has been approved as a prospectus by the FCA under section 87A of FSMA and relates to all of the ordinary shares in the share capital of the Company ("Ordinary Shares").

This document will be made available to the public in accordance with the Prospectus Rule 3.2.1 by the same being made available, free of charge, at the National Storage Mechanism and at the Company's registered office at c/o Locke Lord (UK) LLP, 201 Bishopsgate, London EC2M 3AB, England.

Applications will be made to the FCA for all of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority (the "Official List") (by way of a standard listing under Chapter 14 of the listing rules published by the UK Listing Authority under section 73A of FSMA as amended from time to time (the "Listing Rules")) and to London Stock Exchange plc (the "London Stock Exchange") for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities ("Admission"). The Ordinary Shares are already listed and/or posted for trading on the Toronto Stock Exchange ("TSX") and the AIM Market of London Stock Exchange ("AIM"). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. It is expected that Admission will become effective, and that unconditional dealings in the Ordinary Shares will commence, at 8.00 a.m. on 21 August 2017. Trading of the Ordinary Shares on AIM will be cancelled on Admission.

This document has been prepared solely in respect of Admission and no Ordinary Shares or other securities are being offered for subscription or sale pursuant to this document. This prospectus is being made publically available for information purposes only and does not require any action to be taken by Shareholders. This prospectus does not constitute an offer or invitation to any person to subscribe for or purchase and securities of the Company or any other entity.

The Company and its Directors (whose names appear on page 22 of this document) accept the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.

THE WHOLE OF THE TEXT OF THIS DOCUMENT SHOULD BE READ BY PROSPECTIVE INVESTORS. YOUR ATTENTION IS SPECIFICALLY DRAWN TO THE DISCUSSION OF CERTAIN RISKS AND OTHER FACTORS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE ORDINARY SHARES, AS SET OUT IN THE SECTION ENTITLED "RISK FACTORS" BEGINNING ON PAGE 13 OF THIS DOCUMENT.

SOLGOLD PLC

(Incorporated in England and Wales under company number 05449516)

Admission of up to 1,562,317,686 Ordinary Shares of 1p each to the Official List (by way of a Standard Listing under Chapter 14 of the Listing Rules) and to trading on the London Stock Exchange's main market for listed securities

The Ordinary Shares are subject to selling and transfer restrictions in certain jurisdictions. The Ordinary Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state or other jurisdiction of the United States or under applicable securities laws of Australia, Canada, the Republic of South Africa, the Republic of Ireland or Japan. Subject to certain exceptions, the Ordinary Shares may not be, offered, sold, resold, transferred or distributed, directly or indirectly, within, into or in the United States or to or for the account or benefit of persons in the United States, Australia, Canada, the Republic of South Africa, the Republic of Ireland, Japan or any other jurisdiction where such offer or sale would violate the relevant securities laws of such jurisdiction.

The Ordinary Shares may not be taken up, offered, sold, resold, transferred or distributed, directly or indirectly within, into or in the United States except pursuant to an exemption from, or in a transaction that is not subject to, the registration requirements of the Securities Act. There will be no public offer in the United States. The Company has not been and will not be registered under the US Investment Company Act of 1940 ("US Investment Company Act") pursuant to the exemption provided by Section 3(c)(7) thereof, and Investors will not be entitled to the benefits of the US Investment Company Act.

The Ordinary Shares have not been approved or disapproved by the US Securities Exchange Commission, any State securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed comment upon or endorsed the merits of the Placing or adequacy of this document. Any representations to the contrary is a criminal offence in the United States.

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SUMMARY OF KEY INFORMATION

This summary should be read as an introduction only to this document and any decision to invest in the Company should be based on consideration of this document as a whole by the investor. Investors should note that if a claim relating to the information contained in this document is brought by an investor before a court, the investor bringing the claim might, under the national legislation of the EEA States, have to bear the costs of translating the document before legal proceedings are initiated. Civil liability attaches to those persons who are responsible for this summary, including any translation of this summary, but only if the summary is misleading, inaccurate or inconsistent when read together with other parts of this document.

SECTION A—INTRODUCTION AND WARNINGS		
A.1	Warning to investors	This summary should be read as an introduction to this document. Any decision to invest in the Ordinary Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might under the national legislation of the EEA States, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled this summary including any translation thereof but only if this summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.
A.2	Consent for intermediaries	Not applicable; this is not a public offer of securities and consent will not be given by the Company for the use of this document for subsequent resale or final placement of securities by financial intermediaries.

SECTION B—ISSUER		
B.1	Legal and commercial name	The legal and commercial name of the issuer is SolGold Plc.
B.2	Domicile/Legal form/Legislation/Country of incorporation	The Company was incorporated and registered in England and Wales with company number 05449516 on 11 May 2005 as a private limited company under the Companies Act 1985. The Company re-registered as a public limited company on 22 December 2005 under the name Solomon Gold Plc. The Company changed its name to SolGold Plc on 28 May 2012.
B.3	Current operations/Principal activities and markets	The Company is a Brisbane based copper/gold exploration and development company that has a diverse portfolio of exploration projects in Ecuador and Australia. Ecuador The Company holds an 85 per cent. direct interest in the Cascabel Concession in Ecuador through its shareholding in the Company's subsidiary, Exploraciones Novomining S. A. ("ENSA"), which in turn holds a 100 per cent. ownership interest of the Cascabel Concession. The Company also holds 31,153,092 shares in Cornerstone, which is the entity that holds the remaining 15 per cent. interest in ENSA. Accordingly, through the shares held in Cornerstone, the Company has a further indirect interest in the Cascabel Concession of 1.55 per cent. Cascabel is the Company's flagship project and the directors believe that it shows significant potential of hosting an economic resource. The Cascabel Project is an advanced exploration project. 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 Concession applies to an area over 50 km². The Cascabel Concession was registered with the Ministry of Energy and Mines on 7 May 2010 and has a term

		of 25 years which expires on 7 May 2035. On 23 August 2013, the Company was granted the Environmental Licence permitting it to carry out diamond drilling. The mineralised system at the first drill target area at the Cascabel Project, Alpala, is considered by the directors to be extensive and the limits of this system have not yet been fully drill tested and assessed. The Company does not consider it appropriate to calculate and release a maiden resource estimate on the system until the entire mineralised system is adequately defined. This will be undertaken over the next 6 to 12 months using 3-5 drilling rigs. Currently the target zone at Alpala is 1.5 kms long with a vertical extent of 1800m high with a higher grade section 1300m high and a zonal thickness of average 300m. The Company is targeting extensions to the mineralisation discovered at the Cascabel Project to the North East, South East and South West prior to calculation and release of the maiden resource. In addition other targets evident at Aguinaga, Tandayama – America Trevino, and Moran are expected to yield resources over the next 2 years of exploration. At Alpala, 23,700m of drilling has been completed for 18 drill holes of which 16 have hit the Alpala deposit and 6 of which (Holes 5, 9, 12, 15R2, 16 and 17) delivered very significant intersections consisting of over 1km of continuous mineralisation grading over 1 per cent. Copper Equivalent. Drill hole CSD-15-012 returned results comparable to the larger copper porphyry projects in operation around the world, with 1312m grading 0.67 per cent. copper and 0.63 g/t gold for 1.23 per cent. Copper Equivalent. The Company proposes to expand Alpala and drill test the other copper-gold targets, particularly Alpala, Alpala South East, Hematite Hill, Trivinio, Moran, Aguinaga and Tandayama-America. The Company is proposing to complete over 90,000 metres of drilling over the next two years. The Company currently has approximately US\$68.5 million of cash to invest in its assets which will primarily be used to advance its core asset, the Cascabel Project. The Directors are anticipating expending not less than approximately 91 per cent. of the Company's existing cash on exploration costs on the Cascabel Project over the next 18 months following Admission. It is anticipated that expenditure on its non-core assets in Australia and Solomon Islands will not exceed an aggregate amount of approximately US\$184,000, which will be the amount required to meet administrative costs to maintain these licences and applications. Approximately 8 per cent. of the Company's existing cash reserves have otherwise been allocated towards other corporate administrative costs. The Company's material asset is the Cascabel Project. Whilst it will continue to fund administrative costs in relation to the maintenance of its non-material licences in Australia, it does not anticipate incurring any further expenditure in respect of the exploration of those assets until the development of the Cascabel Project is substantially advanced. Australia In Queensland, Australia, the Company has identified the following projects: (i) the Mount Perry Project; (ii) the Normanby Project; (iii) the Rannes Project; and (iv) the Cracow West Project. The Company has not conducted any recent exploration activity on these projects. Joint venture opportunities have been sought for these projects and, while there has been interest from several junior exploration and mining companies, due to the continued challenging equities markets, companies have found it difficult to raise exploration funds. As such, no joint venture deals resulting in the commencement of exploration have materialized. The Company's interest in the Australian projects are held by Central Minerals Pty Limited (which holds the Rannes Licence and the Cracow West Licence) and Acapulco Mining Pty Ltd (which holds the Mount Perry Licence and the Normanby Licence).
B.4	Significant trends	Market Trends: Whilst exploration for copper in mature provinces has increased in recent years the amount of copper being discovered has declined and the tonnage and grade of copper resources in undeveloped inventories has also declined increasing supply demand. The same trend is evident in gold. In addition there is a general trend in most mining jurisdictions towards an improved culture of permitting responsible resource development. The copper/gold exploration and mining companies are showing an increasing trend towards the investigation of large porphyry copper gold

		systems as a source of large gold inventories forming a credit to a copper orebody. Copper porphyries are generally geologically young and have therefore have not been subject to the type of destructive or attenuating physical faulting and structuring that geologically much older pure gold terrains as found in West Africa have suffered. Ecuador is currently driving a reformation of popular regulatory and legislative support for the development of a mining industry. This trend in Ecuador has been driven by a decline in oil and gas revenues and resources from the Western Amazon Basin. Trends in porphyry exploration Porphyry copper gold exploration around the world has been made considerably more cost effective than was the case 20 years ago. This is due to the rapid advancement in the understanding of metal zonation in porphyry mineralisation systems and the relationship between the amount of oxygen in the porphyry systems and grade. Geophysical exploration techniques which seek and analyse signals from mineralised zones have become over the same period considerably more sophisticated. Higher power magnetic and electrical survey units mean that more data can be collected quicker, cheaper and deeper using both ground based and aerial systems. Powerful three dimensional modelling techniques based on integrated analysis of magnetic and electric signals from magnetic minerals and sulphide minerals. These modelling techniques mean that magnetic and electric iso surfaces in these models are more reliably matching to copper mineralisation in porphyry systems. As a result the Company anticipates that accurate 3d models for magnetics and electrical properties will become proxies for copper grades enabling these techniques to be predictive. Economic trends: Copper prices are increasing recently in response to inexorable global growth and specific new broader uses for copper, including for electric cars, antibiotic applications, light communications and power supply in undeveloped nations and such general use. This is expected to continue to at least the end of the calendar year 2018. Copper is expected to be in shortfall with stock piles depleted by the end of calendar year 2018.																					
B.5	Group structure	The Company is the ultimate parent company of the Group that has a diverse portfolio of exploration projects in Ecuador and Australia. The Company has the following wholly owned subsidiaries: ● Australian Resources Management (ARM) Pty Ltd ● Acapulco Mining Pty Ltd ● Central Minerals Pty Ltd ● Solomon Operations Ltd ● Honiara Holdings Pty Ltd ● Guadalcanal Exploration Pty Ltd ● Carnegie Ridge Resources S.A. ● Green Rock Resources S.A. ● Valle Rico Resources S.A. ● Cruz Del Sol S.A. The Company also owns (directly and indirectly) 86.55 per cent. of the issued share capital of its subsidiary ENSA.																					
B.6	Major shareholders	On Admission, the following Shareholders will have a notifiable interest in the issued shares of the Company: <table> <tr> <th><i>Shareholder</i></th><th><i>No. of Ordinary Shares</i></th><th><i>Percentage of issued ordinary share capital</i></th></tr> <tr> <td>Newcrest International</td><td>219,772,271</td><td>14.50%</td></tr> <tr> <td>DGR Global</td><td>204,151,800</td><td>13.47%</td></tr> <tr> <td>Cornerstone</td><td>154,406,414</td><td>10.19%</td></tr> <tr> <td>Tenstar</td><td>143,206,062</td><td>9.45%</td></tr> <tr> <td>Guyana Goldfield Inc.</td><td>103,125,000</td><td>6.80%</td></tr> <tr> <td>Nicholas Mather</td><td>90,768,275</td><td>5.99%</td></tr> </table> On Admission, save as otherwise disclosed in this document, such Shareholders will not have special voting rights and the Ordinary Shares owned by them will rank <i>pari passu</i> in all respects with other Ordinary Shares.	<i>Shareholder</i>	<i>No. of Ordinary Shares</i>	<i>Percentage of issued ordinary share capital</i>	Newcrest International	219,772,271	14.50%	DGR Global	204,151,800	13.47%	Cornerstone	154,406,414	10.19%	Tenstar	143,206,062	9.45%	Guyana Goldfield Inc.	103,125,000	6.80%	Nicholas Mather	90,768,275	5.99%
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B.7	Selected historical key financial information	The table below sets out the summary financial information of the Group for the years ended 30 June 2014, 2015 and 2016 and for the six months ended 31 December 2015 and 2016. <table><tr><th rowspan="4">(in thousands of AUD)</th><th colspan="3">For the year ended 30 June</th><th colspan="2">For the six months ended 31 December</th></tr><tr><th>2014</th><th>2015</th><th>2016</th><th>2015</th><th>2016</th></tr><tr><th>(audited)</th><th>(audited)</th><th>(audited)</th><th>(unaudited)</th><th>(unaudited)</th></tr><tr><th>\$</th><th>\$</th><th>\$</th><th>\$</th><th>\$</th></tr><tr><td>Revenue</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Expenses</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Administrative</td><td>(2,602)</td><td>(3,067)</td><td>(2,553)</td><td>(3,535)</td><td>(1,195)</td></tr><tr><td>Exploration costs written-off</td><td>(2,246)</td><td>(1,175)</td><td>(1,555)</td><td>(21)</td><td>–</td></tr><tr><td>Movement in fair value of derivative liability</td><td>–</td><td>–</td><td>(1,378)</td><td>–</td><td>–</td></tr><tr><td>Operating loss</td><td>(4,848)</td><td>(4,242)</td><td>(5,486)</td><td>(3,556)</td><td>(1,195)</td></tr><tr><td>Finance income</td><td>18</td><td>10</td><td>1</td><td>–</td><td>–</td></tr><tr><td>Finance costs</td><td>(1)</td><td>(7)</td><td>(238)</td><td>(73)</td><td>(59)</td></tr><tr><td>Loss before tax</td><td>(4,831)</td><td>(4,239)</td><td>(5,723)</td><td>(3,629)</td><td>(1,254)</td></tr><tr><td>Tax expense</td><td>–</td><td>–</td><td>–</td><td>–</td><td>–</td></tr><tr><td>Loss for the year/period</td><td><u>(4,831)</u></td><td><u>(4,239)</u></td><td><u>(5,723)</u></td><td><u>(3,629)</u></td><td><u>(1,254)</u></td></tr><tr><td>Other comprehensive income</td><td></td><td></td><td></td><td></td><td></td></tr><tr><td>Change in fair value of available-for-sale financial assets</td><td>1,704</td><td>(2,045)</td><td>191</td><td>3,850</td><td>(57)</td></tr><tr><td>Exchange differences on translation of foreign operations</td><td>72</td><td>1,159</td><td>1,049</td><td>196</td><td>(54)</td></tr><tr><td>Total comprehensive income for the year</td><td><u>(3,055)</u></td><td><u>(5,125)</u></td><td><u>(4,483)</u></td><td><u>417</u></td><td><u>(1,365)</u></td></tr><tr><td>Current assets</td><td>5,660</td><td>473</td><td>298</td><td>523</td><td>56,610</td></tr><tr><td>Non-current assets</td><td>24,696</td><td>32,224</td><td>43,202</td><td>37,204</td><td>54,316</td></tr><tr><td>Total assets</td><td><u>30,356</u></td><td><u>32,697</u></td><td><u>43,500</u></td><td><u>37,727</u></td><td><u>110,926</u></td></tr><tr><td>Current liabilities</td><td>787</td><td>2,338</td><td>8,519</td><td>4,421</td><td>2,153</td></tr><tr><td>Non-current liabilities</td><td>–</td><td>–</td><td>–</td><td>2,332</td><td>–</td></tr><tr><td>Total liabilities</td><td><u>787</u></td><td><u>2,338</u></td><td><u>8,519</u></td><td><u>6,753</u></td><td><u>2,153</u></td></tr><tr><td>Net Assets</td><td><u>29,569</u></td><td><u>30,359</u></td><td><u>34,981</u></td><td><u>30,974</u></td><td><u>108,773</u></td></tr></table> Since 31 December 2016 (being the end of the last financial period of the Group for which financial information has been published), there has been no significant change in the financial or trading position of the Group since 31 December 2016 or operating position of the Group, except for the issue of a total of 3,340,000 Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement, the exercise of employment Options raising gross amounts of £122,025, £420,000 £184,800 and £546,000 respectively and the issue of 78,889,080 Ordinary Shares pursuant to the Placing raising US\$41.2 million. There were no significant changes in the financial or trading position of the Group during the period covered by the Financial Statements.	(in thousands of AUD)	For the year ended 30 June			For the six months ended 31 December		2014	2015	2016	2015	2016	(audited)	(audited)	(audited)	(unaudited)	(unaudited)	\$	\$	\$	\$	\$	Revenue	–	–	–	–	–	Expenses						Administrative	(2,602)	(3,067)	(2,553)	(3,535)	(1,195)	Exploration costs written-off	(2,246)	(1,175)	(1,555)	(21)	–	Movement in fair value of derivative liability	–	–	(1,378)	–	–	Operating loss	(4,848)	(4,242)	(5,486)	(3,556)	(1,195)	Finance income	18	10	1	–	–	Finance costs	(1)	(7)	(238)	(73)	(59)	Loss before tax	(4,831)	(4,239)	(5,723)	(3,629)	(1,254)	Tax expense	–	–	–	–	–	Loss for the year/period	<u>(4,831)</u>	<u>(4,239)</u>	<u>(5,723)</u>	<u>(3,629)</u>	<u>(1,254)</u>	Other comprehensive income						Change in fair value of available-for-sale financial assets	1,704	(2,045)	191	3,850	(57)	Exchange differences on translation of foreign operations	72	1,159	1,049	196	(54)	Total comprehensive income for the year	<u>(3,055)</u>	<u>(5,125)</u>	<u>(4,483)</u>	<u>417</u>	<u>(1,365)</u>	Current assets	5,660	473	298	523	56,610	Non-current assets	24,696	32,224	43,202	37,204	54,316	Total assets	<u>30,356</u>	<u>32,697</u>	<u>43,500</u>	<u>37,727</u>	<u>110,926</u>	Current liabilities	787	2,338	8,519	4,421	2,153	Non-current liabilities	–	–	–	2,332	–	Total liabilities	<u>787</u>	<u>2,338</u>	<u>8,519</u>	<u>6,753</u>	<u>2,153</u>	Net Assets	<u>29,569</u>	<u>30,359</u>	<u>34,981</u>	<u>30,974</u>	<u>108,773</u>
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B.8	Selected key pro forma financial information	Not applicable; there is no pro forma financial information.																																																																																																																																																									
B.9	Profit forecast or estimate	Not applicable; no profit forecast or estimate is made.																																																																																																																																																									
B.10	Qualified audit report	Not applicable; there are no qualifications in the accountant’s report on the historical financial information.																																																																																																																																																									

B.11	Insufficient working capital	Not applicable; the Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of this document.
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SECTION C—SECURITIES		
C.1	Description of the type and the class of the securities being offered	Not applicable; no securities are being offered.
C.2	Currency of the securities issue	The currency of the Ordinary Shares is Pounds Sterling.
C.3	Issued share capital	The nominal value of the total issued share capital of the Company immediately following Admission will be up to £15,623,176.86 divided into up to 1,562,317,686 Ordinary Shares of 1p each, which are all issued as fully paid. When admitted to trading, the Shares will be registered with ISIN GB00B0WD0R35 and SEDOL number B0WD0R3, and that the Ordinary Shares will be traded under the ticker SOLG.
C.4	Rights attached to the securities	The liability of the members of the Company is limited to the amount, if any, unpaid on the Ordinary Shares held by them. Subject to the provisions of the Acts and Statutes and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions whether in regard to dividends, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or if no such resolution has been passed or so far as the resolution does not make specific provision as the Board may determine. Subject to any rights or restrictions attached to shares, on a vote on a resolution on a show of hands at a meeting, every member who (being an individual) is present in person or by proxy shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder. A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system in accordance with the CREST Regulations. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the Register as its holder. The Board may also refuse to register a transfer of shares held in certificated form unless the instrument of transfer is: (a) in respect of a share which is fully paid up; (b) in respect of a share on which the Company has no lien; (c) in respect of only one class of shares; (d) in favour of a single transferee or not more than four joint transferees; (e) duly stamped (if so required); and (f) delivered for registration to the Company's registered office or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so, provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis. Subject to the provisions of the Acts and the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board.

	If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability. Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two or more than eight. Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director. Each Director shall retire from office and shall be eligible for reappointment at the third annual general meeting after the general meeting at which he was appointed or last reappointed. If the Company, at the meeting at which a Director retires under this Article, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost. Subject to the provisions of the Acts and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board. The quorum for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number shall be two. Questions arising at a meeting shall be decided by a majority of votes of the participating directors, with each director having one vote. In the case of an equality of votes the chairman shall have a second or casting vote. The ordinary remuneration of the Directors (other than any alternate Directors) shall be such amount as the Directors shall from time to time determine (not exceeding £250,000 per annum unless otherwise approved by the Company in general meeting). The Directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties. The Directors may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a Director infringing his duty under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest. Authorisation of such a matter is effective only if: - any requirement as to quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director; and - the matter has been agreed to without the Director in question and any other interested Director voting or would have been agreed to if their votes had not been counted. The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, to issue debentures and other securities and to give security, whether outright or as
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		collateral security, for any debt, liability or obligation of the Company or of any third party. All meetings other than annual general meetings shall be called general meetings. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the Acts and the statutes, shall forthwith convene a general meeting. An annual general meeting shall be called by at least 21 'clear days' notice. Every other general meeting shall, subject to the provisions of the Act, be called by at least 14 'clear days' notice. Every notice of meeting shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such. Every notice calling a meeting for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution. Two members present in person or by proxy and entitled to vote upon the business to be transacted at the meeting shall be a quorum. A Director shall be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company, notwithstanding that he is not a member, or not a holder of the class of shares in question.
C.5	Restrictions on transferability	Not applicable; all Ordinary Shares are freely transferable.
C.6	Application for admission to trading on a regulated market	Application has been made for the Ordinary Shares to be admitted to a Standard Listing on the Official List and to trading on the London Stock Exchange's main market for listed securities. The Ordinary Shares are already listed and/or posted for trading on the Toronto Stock Exchange ("TSX") and the AIM Market of London Stock Exchange ("AIM"). No application has been made or is currently intended to be made for the Ordinary Shares to be admitted to listing or dealt with on any other exchange. It is expected that Admission will become effective and that unconditional dealings will commence at 8.00 a.m. on 21 August 2017.
C.7	Dividend policy	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".

SECTION D—RISKS		
D.1	Key information on the key risks that are specific to the issuer or its industry	Geopolitical, Regulatory and Sovereign Risk The Company's exploration and development activities and its operations depend on its ability to obtain, sustain or renew various mineral rights, licenses, permits, authorisations and regulatory approvals (collectively, "Regulatory Consents") from governmental and quasi-governmental authorities. The Company's ability to obtain, sustain or renew such Regulatory Consents on acceptable terms and on a timely basis is subject to changes in regulations and policies and to the discretion of the Ecuadorian governmental and quasi-governmental bodies. The Company may not be able to obtain, sustain or renew its Regulatory Consents and they may not be obtainable on reasonable terms or on a timely basis. The Cascabel Project is subject to certain risks and possible political and economic instability specific to Ecuador, such as political unrest, labour disputes, invalidation of government orders, permits or property rights, risk of corruption including violations under applicable foreign corrupt practices laws, civil disturbances, criminal acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements and changes to monetary or taxation policies. The occurrence of any of these risks may adversely affect the mining industry, mineral exploration and mining activities generally in Ecuador and could result in the impairment or loss of mineral concessions or other mineral rights.

	The Ecuadorian government has broad authority to shut down and/or levy fines against companies that do not comply with Ecuadorian legal regulations or standards. The Cascabel Project may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in Ecuador. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, limitations on foreign ownership, ownership of assets, expropriation of property, environmental legislation and mine safety. Additionally, the Company'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. Whilst the Company is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador, recent presidential election may result in a change of policy, which may adversely affect the Cascabel Project or the Company's ability to operate successfully in Ecuador. The Company is not, however, able to ascertain any potential risk as a result of any change of policy at this time given the short period that has passed since the new president was elected. Under the current legislative regime, a mining company must enter into an exploitation contract with the Ecuadorian Government prior to exploitation of natural resources. There is no certainty that the Company 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 the Cascabel Project or render it uneconomical. Without the protection of a signed exploitation agreement, there is also a risk that successor governmental bodies will revoke or significantly alter the conditions of the applicable exploration and mining authorisations and surface rights. In addition, such exploration and mining authorisations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that the Company will not be able to renew the Cascabel Concession in the future. Inability to renew the Cascabel Concession could result in the loss of the Cascabel Project. Furthermore, the Company may not be able to acquire any additional surface rights required on reasonable terms or at all. Cascabel Project The Cascabel Project is the Company's flagship property. Actual development costs may differ materially from the Company's estimates and may render the development of the Cascabel Project economically unfeasible. The Company is largely dependent upon the Cascabel Project for future revenue and profits, if any. Should the development of the Cascabel Project not be possible or practicable for political, engineering, technical or economic reasons, then the Company's business and financial position will be significantly and adversely affected. If the Group discovers a potentially economic resource or reserve at the Cascabel Project, there is no assurance that the Group will be able to develop a mine thereon, or otherwise commercially exploit such resource or reserve which could materially adversely affect the Company's financial condition and prospects. Title Risk The Cascabel Project may be subject to prior unregistered agreements or transfers or native or indigenous peoples' land claims and title maybe 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 may lose all or a portion of the Cascabel Property to which the title defects relates. Land Access Risk Access to land for exploration purposes in Australia 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. The Company 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, the Company's tenements. Compensation may be required to be paid by the Company to land holders so that the Company 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.
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		Operational Risks If the Company successfully develops and commissions a mine at the Cascabel Project, the operations of the Company, which would include mining and processing, may be affected by a range of factors. These include, but are not limited to, a failure to locate or identify deposits and a failure to achieve predicted grade in exploration, mining and processing, the ability to attract and retain personnel, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failures, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, and the ability to develop and maintain the properties held by the Company. Financial Risks Whilst the Group currently has sufficient working capital for the twelve month period following Admission ("Initial Working Capital Period"), its 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 the Cascabel Project. The need for and amount of any additional funds required following the exploration phase at the Cascabel Project is currently unknown and will depend on numerous factors related to the Group's current and future activities. If additional working capital is required after the Initial Working Capital Period, the Group would seek to raise 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 Group in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings and debt financing, if available, may involve restrictions on further financing and operating activities. If adequate funds are not available on acceptable terms when required, the Group may not be able to progress development at the Cascabel Project and this may well result in the delay or indefinite postponement of the Group's current activities. Volatility of Commodity and Equity Prices The Company monitors commodity prices of gold, copper and other metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company. The Company believes that both commodity and equity price movements can have a substantial effect on the market value of the Company's investments and its Ordinary Shares. If the market price of gold and copper sold by the Company were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on recoverability.
D.3	Key information on the key risks that are specific to the securities	Regulatory Protection Application will be made for the Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford Investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules. Realisation of Investment Admission to listing on the Official List should not be taken as implying that there will always be a liquid market in the Ordinary Shares. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover the full value of their original investment. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal investors may realise less than the original amount invested. Volatility of Share Price The market price of the Ordinary Shares could fluctuate significantly based on a number of factors in addition to those listed in this document, including:

		● the Company's operating performance and the performance of competitors and other similar companies; ● the market's reaction to the Company's press releases, other public announcements and the Company's filings with various securities regulatory authorities; ● changes in earnings estimates or recommendations by research analysts who track the Ordinary Shares or the shares of other companies in the resource sector; ● changes in general economic conditions; ● the number of Ordinary Shares publicly traded; ● the arrival or departure of key personnel; ● acquisitions, strategic alliances or joint ventures involving the Company, the Group or its competitors; and ● the factors associated with 'Forward-looking Statements'.
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SECTION E – OFFER		
E.1	Total net proceeds/ expenses	Not applicable; no offer is being made.
E.2a	Reasons for the offer and use of proceeds	Not applicable; no offer is being made.
E.3	Terms and conditions of the offer	Not applicable; no offer is being made.
E.4	Material interests	Not applicable; no offer is being made.
E.5	Selling Shareholders/ Lock-up agreements	Not applicable; no person or entity is offering to sell the relevant securities.
E.6	Dilution	Not applicable; no offer is being made.
E.7	Expenses charged to investors	Not applicable; no offer is being made.

RISK FACTORS

You should consider carefully the following risk factors, as well as the other information in this document, before investing in the Ordinary Shares. Potential investors should read the whole of this document and not rely solely on the information in this section entitled “Risk Factors”. The Group’s business, operating results and financial condition could be adversely affected if any of the following risks were to occur and as a result the trading price of the Ordinary Shares could decline and investors could lose part or all of their investment. The Directors consider the following risk factors to be significant for potential investors. Additional risks and uncertainties currently unknown to the Directors or which the Directors currently believes are immaterial, may also have a material adverse effect on its financial condition or prospects or the trading price of an Ordinary Share.

A. RISKS RELATING TO THE GROUP AND ITS INDUSTRY

Geopolitical, Regulatory and Sovereign Risk

The Company’s principal exploration tenement is located in Ecuador and is therefore subject to the risks associated with operating in a foreign jurisdiction. As Ecuador is a developing country, its legal and political system is emerging when compared to those in operation in 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 and 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 the Company’s activities, unforeseen and un-budgeted costs, and/or threats to occupational health and safety as a consequence of geopolitical, regulatory and sovereign risk.

The Company’s future exploration and development activities and its operations may depend on its ability to obtain, sustain or renew various mineral rights, licenses, permits, authorisations and regulatory approvals (collectively, “Regulatory Consents”) from governmental and quasi-governmental authorities. The Company’s ability to obtain, sustain or renew such Regulatory Consents on acceptable terms and on a timely basis is subject to changes in regulations and policies and to the discretion of the Ecuadorian governmental and quasi-governmental bodies. The Company may not be able to obtain, sustain or renew its Regulatory Consents and they may not be obtainable on reasonable terms or on a timely basis.

The Cascabel Project is subject to certain risks and possible political and economic instability specific to Ecuador, such as political unrest, labour disputes, invalidation of government orders, permits or property rights, risk of corruption including violations under applicable foreign corrupt practices laws, civil disturbances, criminal acts, arbitrary changes in laws, expropriation, nationalization, renegotiation or nullification of existing agreements and changes to monetary or taxation policies. The occurrence of any of these risks may adversely affect the mining industry, mineral exploration and mining activities generally in Ecuador and could result in the impairment or loss of mineral concessions or other mineral rights.

The Ecuadorian government has broad authority to shut down and/or levy fines against companies that do not comply with Ecuadorian legal regulations or standards. The Cascabel Project may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in Ecuador. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, limitations on foreign ownership, ownership of assets, expropriation of property, environmental legislation and mine safety. Additionally, the Company’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. Whilst the Company is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador, the recent presidential election may result in a change of

policy, the outcome of which may adversely affect the Cascabel Project or the Company's ability to operate successfully in Ecuador. The Company is not, however, able to ascertain any potential risk as a result of a change of policy at this time, given the short period that has passed since the new president was elected.

As with all jurisdictions in which the Company has interests, a particular permitting regime exists in Ecuador with which the Company must comply. Before commencing any exploration activity, the Company may be required to negotiate access and compensation arrangements with any interested land access groups and relevant authorities in Ecuador. The Company 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 finalised or the reasonableness of third parties. Failure to obtain all necessary access and negotiate compensations arrangements may have a material adverse effect on the Company.

Under the current legislative regime, a mining company must enter into an exploitation contract with the Ecuadorian Government prior to exploitation of natural resources. There is no certainty that the Company 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 the Cascabel Project or render it uneconomical. Without the protection of a signed exploitation agreement, there is also a risk that successor governmental bodies will revoke or significantly alter the conditions of the applicable exploration and mining authorisations and surface rights. In addition, such exploration and mining authorisations and surface rights may be challenged or impugned by third parties. In addition, there is a risk that the Company will not be able to renew the Cascabel Concession in the future. Inability to renew the Cascabel Concession could result in the loss of the Cascabel Project. Furthermore, the Company may not be able to acquire any additional surface rights required on reasonable terms or at all.

Cascabel Project

The Cascabel Project is the Company's flagship property. Actual development costs may differ materially from the Company's estimates and may render the development of the Cascabel Project economically unfeasible. The Company is largely dependent upon the Cascabel Project for future revenue and profits, if any. Should the development of the Cascabel Project not be possible or practicable for political, engineering, technical or economic reasons, then the Company's business and financial position will be significantly and adversely affected.

If the Group discovers a potentially economic resource or reserve at the Cascabel Project, there is no assurance that the Group will be able to develop a mine thereon, or otherwise commercially exploit such resource or reserve which could materially adversely affect the Company's financial condition and prospects.

The Company is a party to various contracts (such as contracts with contractors or other service providers currently or in the future used by the Group, including providers of engineering, project management and mineral processing services). All dealings with third parties have an inherent associated risk by virtue of the fact a party is relying on another to perform and uphold an agreement or promise of some form. No assurance can be given that all contracts to which the Company is a party will be fully performed by all contracting parties. In the event a contracting party breaches its obligations, the Company may have contractual remedies or other avenues of recourse available, however, such avenues of redress may be costly to pursue. Additionally, if a contracting party does not comply with any contractual provisions, there is no guarantee that the Company will be successful in securing compliance or an alternative remedy.

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important elements of infrastructure, which affect capital and operating costs. The lack of availability on acceptable terms or the delay in the availability of any one or more of these items could prevent or delay exploration or development of the Cascabel Project. If adequate infrastructure is not available in a timely manner, there is a risk that (i) the exploration or development of the Cascabel Project will not be commenced or completed on a timely basis, if at all, (ii) the resulting operations will not achieve the anticipated production volume or (iii) the anticipated construction costs and ongoing operating costs associated with the exploration and/or development of the Cascabel Project will be higher than anticipated. Furthermore, unusual or infrequent weather phenomena, sabotage, government or other interference in the maintenance or provision of necessary infrastructure could adversely affect the Company's operations and profitability.

Environmental Risk

The Cascabel Project is expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds. Its activities are or will be subject to in-country Ecuadorian 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 they establish obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on the Company 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 the Company or its subsidiaries, or non-compliance with environmental laws or regulations. The Company 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 the Company's proposed activities at the Cascabel Project which could subject it to extensive liability.

Title Risk

The Cascabel Project 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 the Company may lose all or a portion of the Cascabel Property to which the title defects relates.

Land Access Risk

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

Queensland, Australia

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. The Company 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, the Company's tenements. Compensation may be required to be paid by the Company to land holders so that the Company 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.

In Queensland, the Aboriginal Cultural Heritage Act 2003 and the Torres Strait Islander Cultural Heritage Act 2003 (Qld) impose duties of care which require persons, including the Company, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State of Queensland and requires the Company 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 the Company's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

Australian Native Title Risk

The effect of the Native Title Act 1993 (Cth) ("NTA") is that existing and new tenements held by the Company in Australia may be affected by native title claims and procedures. As the Company's Australian properties are not core assets of the Group, the Company 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 the Company which may affect the operation of the Company's business and development activities. In the event that it is determined that native title does exist or a native title claim is registered, the Company 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 the Company in terms of its cash flows, financial performance, business development, ability to pay dividends and share price.

Operational Risks

The current operations of the Company generally include exploration, marketing and, administrative functions any of which may be impacted by a wide range of factors which are outside of the Company's control.

If the Company successfully develops and commissions a mine at the Cascabel Project, the operations of the Company, which would include mining and processing, may be affected by a range of factors. These include, but are not limited to, a failure to locate or identify deposits and a failure to achieve predicted grade in exploration, mining and processing, the ability to attract and retain personnel, technical difficulties encountered in commissioning and operating plant and equipment, mechanical failures, metallurgical problems which affect extraction rates and costs, adverse weather conditions, industrial and environmental accidents, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, and the ability to develop and maintain the properties held by the Company.

The success of the Company's operations at the Cascabel Project will also require the use of outside suppliers, the performance of whom is beyond the Company's control.

Key Personnel

Recruiting and retaining qualified personnel is critical to the Company's success. The Company is dependent on the services of key executives including its Chief Executive Officer and other highly skilled and experienced executives and personnel focused on managing the Company's interests. The number of persons skilled in acquisition, exploration and development of mining properties is limited and competition for such persons is intense. As the Company's business activity grows, the Company will require additional key financial, administrative, geologic and mining personnel as well as additional operations staff. There is a risk that the Company will not be successful in attracting, training and retaining qualified personnel as competition for persons with these skill sets increases. If the Company is not successful in attracting, training and retaining qualified personnel, the efficiency of the Company's operations could be impaired, which could have an adverse impact on the Company's future cash flows, earnings, results of operations and financial condition.

Financial Risks

Whilst the Group currently has sufficient working capital for the twelve month period following Admission ("Initial Working Capital Period"), its 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 the Cascabel Project. The need for and amount of any additional funds required following the exploration phase at the Cascabel Project is currently unknown and will depend on numerous factors related to the Group's current and future activities.

If additional working capital is required after the Initial Working Capital Period, the Group would seek to raise 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 Group in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings and debt financing, if available, may involve restrictions on further financing and operating activities.

If adequate funds are not available on acceptable terms when required, the Group may not be able to progress development at the Cascabel Project and this may well result in the delay or indefinite postponement of the Group's current activities.

Tax regimes in Ecuador may be subject to differing interpretations and are subject to change without notice. The Company's interpretation of tax law as applied to its transactions and activities may not coincide with that of the tax authorities. As a result, the taxation applicable to transactions and operations may be challenged or revised by the tax authorities, which could result in significant additional taxes, penalties and/or interest.

There is a risk that restrictions on the repatriation of earnings from Ecuador to foreign entities will be imposed in the future and the Company has no control over withholding tax rates. In addition, there is a risk that new laws and regulations in Ecuador may result in a capital gains tax on profits derived from the sale of shares, ownership interests and other rights, such as exploration rights, of companies with permanent establishments in the country. It has yet to be determined how these new laws and regulations may impact the Company or its Shareholders.

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

The Company has no source of operating cash flow to fund its exploration projects and is dependent on raising funds in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the exploration project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time. Whilst the Company has sufficient funding for the Initial Working Capital Period, any lack of funding thereafter would likely have a material adverse impact on the financial condition and prospects of the Company.

Volatility of Commodity and Equity Prices

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

The Company's possible future revenues will likely be derived from gold and copper and/or from royalties gained from potential joint ventures or from mineral projects sold. The revenues earned from the Company's operations will also be dependent on the terms of any agreement for the activities. Consequently, the Company's potential future earnings could be closely related to the price of either of these commodities.

Gold and copper prices are affected by numerous industry factors, many of which are beyond the control of the Company. 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 the Company were to fall below the costs of production and remain at such a level for any sustained period, the Company would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, the Company would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

B. RISKS RELATING TO THE ORDINARY SHARES

Regulatory Protection

Application will be made for the Ordinary Shares to be admitted to a Standard Listing on the Official List. A Standard Listing will afford Investors in the Company a lower level of regulatory protection than that afforded to investors in a company with a Premium Listing, which is subject to additional obligations under the Listing Rules.

Realisation of Investment

Admission to listing on the Official List should not be taken as implying that there will always be a liquid market in the Ordinary Shares. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover the full value of their original investment. The price at which investors may dispose of their Ordinary Shares may be influenced by a number of factors, some of which may pertain to the Company and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

Volatility of Share Price

The market price of the Ordinary Shares could fluctuate significantly based on a number of factors in addition to those listed in this document, including:

- the Company's operating performance and the performance of competitors and other similar companies;
- the market's reaction to the Company's press releases, other public announcements and the Company's filings with various securities regulatory authorities;
- changes in earnings estimates or recommendations by research analysts who track the Ordinary Shares or the shares of other companies in the resource sector;
- changes in general economic conditions;
- the number of Ordinary Shares publicly traded;
- the arrival or departure of key personnel;
- acquisitions, strategic alliances or joint ventures involving the Company, the Group or its competitors; and
- the factors listed under the heading 'Forward-looking Statements' on page 19 of this document.

Payment of Dividends

The Company has not declared or paid any dividends on the Ordinary Shares to date and cannot assure investors that it will pay dividends in the future. The payment of any future dividends will depend upon earnings and the Company's financial condition, current and anticipated cash needs and such other factors as the Directors consider appropriate.

FORWARD LOOKING STATEMENTS

Some of the statements in this document include forward looking statements which reflect the Directors' current views with respect to financial performance, business strategy, plans and objectives of management for future operations (including development plans relating to the Group's products and services). These statements include forward looking statements both with respect to the Group and the sectors and industries in which the Group operates. Statements which include the words "expects", "intends", "plans", "believes", "projects", "anticipates", "will", "targets", "aims", "may", "would", "could", "continue" and similar statements are of a future or forward looking nature.

All forward looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause the Group's actual results to differ materially from those indicated in these statements. These factors include but are not limited to those described in the part of this document entitled "Risk Factors", which should be read in conjunction with the other cautionary statements that are included in this document. Any forward looking statements in this document reflect the Directors' current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to the Group's operations, results of operations and growth strategy.

These forward looking statements speak only as of the date of this document. Subject to any obligations under the Prospectus Rules, the Listing Rules, the Market Abuse Regulation or the Disclosure Guidance and Transparency Rules, the Company undertakes no obligation to publicly update or review any forward looking statement, whether as a result of new information, future developments or otherwise. All subsequent written and oral forward looking statements attributable to the Group or individuals acting on behalf of the Group are expressly qualified in their entirety by this paragraph. Prospective investors should specifically consider the factors identified in this document which could cause actual results to differ before making an investment decision.

STATISTICS

Number of Ordinary Shares in issue following Admission	up to 1,562,317,686
Number of Ordinary Shares under Option	88,353,768
Market Capitalisation	£537.11 million

EXPECTED TIMETABLE

Publication of Prospectus	9 August 2017
Admission to trading on the main market and commencement of dealings in Ordinary Shares	by 8.00 a.m. on 21 August 2017
CREST accounts credited (as applicable)	21 August 2017
Expected date of dispatch of definitive share certificates (as applicable)	31 August 2017

Save in relation to the date upon which the Prospectus is published, each of the times and dates in the above timetable are subject to change.

EXCHANGE RATES

All references to US\$ or USD are to US Dollars, £ are to UK Pounds Sterling and AUS\$ are to Australian Dollars. The rate of exchange used throughout this document is 1.6470 AUS\$ to the £ and 1.3023 USD to the £, unless otherwise stated (being the relevant rate of exchange on 7 August 2017).

CONSEQUENCES OF A STANDARD LISTING

Application will be made for the Ordinary Shares to be admitted to listing on the Official List pursuant to Chapter 14 of the Listing Rules, which sets out the requirements for Standard Listings. Listing Principles 1 and 2 which are contained in Chapter 7 of the Listing Rules will apply to the Company with effect from Admission. As the Company will have a Standard Listing and not a Premium Listing, the Premium Listing Principles will not apply to it. The Company will, however, voluntarily comply with Premium Listing Principles 1, 5 and 6 from Admission.

However, while the Company has a Standard Listing, it is not required to comply with the provisions of, among other things:

- Chapter 8 of the Listing Rules regarding the appointment of a sponsor to guide the Company in understanding and meeting its responsibilities under the Listing Rules in connection with certain matters. The Company has not and does not intend to appoint such a sponsor in connection with Admission;
- Chapter 9 of the Listing Rules regarding continuing obligations;
- Chapter 10 of the Listing Rules relating to significant transactions;
- Chapter 11 of the Listing Rules regarding related party transactions;
- Chapter 12 of the Listing Rules regarding purchases by the Company of its Ordinary Shares; and
- Chapter 13 of the Listing Rules regarding the form and content of circulars to be sent to Shareholders.

It should be noted that the UK Listing Authority will not have the authority to (and will not) monitor the Company's compliance with any of the Listing Rules which the Company has indicated herein that it intends to comply with on a voluntary basis, nor to impose sanctions in respect of any failure by the Company so to comply. However, the FCA should be able to impose sanctions for non-compliance where the statements regarding compliance in this document are themselves misleading, false or deceptive.

DIRECTORS, SECRETARY AND ADVISERS TO THE COMPANY

Directors	John Bovard (<i>Non-executive Director</i>) Nicholas Mather (<i>Chief Executive Officer</i>) Brian Moller (<i>Non-executive Director and Chairman</i>) Robert Maurice Weinberg (<i>Non-executive Director</i>) Craig Jones (<i>Non-executive Director</i>)
Registered Office	c/o Locke Lord (UK) LLP 201 Bishopsgate London EC2M 3AB United Kingdom
Company Secretary	Karl Schlobohm
Legal advisers to the Company as to Australian law	HopgoodGanim Lawyers Level 8 Waterfront Place 1 Eagle Street Brisbane QLD 4000 Australia
Legal advisers to the Company as to English law	Locke Lord (UK) LLP 201 Bishopsgate London EC2M 3AB United Kingdom
Competent Person	SRK Exploration Services Ltd 12 St Andrew's Crescent Cardiff CF10 3DD United Kingdom
Reporting Accountants	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Auditors	BDO LLP 55 Baker Street London W1U 7EU United Kingdom
Registrars	Computershare Investor Services plc The Pavilions Bridgwater Road Bristol BS99 7NH United Kingdom
Bankers	Macquarie Bank Ltd (Brisbane branch) 345 Queen Street Brisbane QLD 4000 Australia

PART I

INFORMATION ON THE GROUP

1. Introduction

The Company is a Brisbane based copper/gold exploration and development company that has a diverse portfolio of exploration projects in Ecuador and Australia. The Company (through its wholly owned subsidiary, Australian Resources Management (ARM) Pty Ltd) has also applied for a prospecting licence, which is located in Guadalcanal in the Solomon Islands. The Company has been focused on mineral exploration in the Andean copper belt in northern Ecuador since 2012. The Cascabel Project is the Company's flagship project. As of the date of this document, the Company has announced a number of copper and gold mineralization at the Alpala deposit, one of the mineral deposits at the Cascabel Project.

2. Brief History of the Company

The Company was incorporated on 11 May 2005, and its primary focus has since been to acquire, explore and, if appropriate, develop precious metal properties principally in Ecuador and Australia. The following is a summary of key developments in the Company's history:

<i>Calendar Year</i>	<i>Key Milestones</i>
January 2007	An exploration licence is issued to ENSA in respect of the Cascabel Project.
March 2011	Santa Barbara Resources and Ms. Silvia Janneth Chavez Arostegui sell the entire issued share capital of ENSA to Cornerstone Ecuador.
February 2013	The Company acquires an initial 20 per cent. equity interest in ENSA.
March 2013	The Company acquires a further 10 per cent. equity interest in ENSA.
August 2013	The Company acquires a further 20 per cent. equity interest in ENSA.
February 2014	The Company acquires a further 35 per cent. equity interest in ENSA, bringing its aggregate equity interest in ENSA to 85 per cent.
March 2015	The Company carries out a fundraising of approximately £3,428,000 pursuant to the Open Offer and enters into the DGR Short Term Loan. The Open Offer results in the Company raising gross proceeds of approximately £2,240,000 for the Cascabel Concession.
October 2015	The Company issues the Convertible Note Deeds to DGR Global and Tenstar for funding of AUS\$1,250,000 and £500,000, respectively.
November 2015	The Company issues 34,252,668 new Ordinary Shares for gross proceeds of £513,790 pursuant to the Placing and issues 28,010,866 new Ordinary Shares at a deemed price of 1.5 pence per Ordinary Share in consideration for the settlement of approximately £420,000 of fees due to the Company's drilling contractor and professional advisors.
March 2016	The Convertible Note Deeds are converted to Ordinary Shares at 2.3 pence per Ordinary Share. A total of 50,271,739 Ordinary Shares are issued to DGR Global and Tenstar. In addition, a total of 2,142,457 Ordinary Shares are issued to DGR Global and Tenstar in lieu of interest due to them in connection with the Convertible Note Deeds. DGR Global further elects to convert loans owed to it by the Company of approximately £805,803 into 35,034,896 Ordinary Shares at 2.3 pence per Ordinary Share.
May 2016	The Company subscribes for 10,000,000 common shares in Cornerstone for CAD\$500,000 aggregate in cash.
August 2016	The Company enters into the Maxit Subscription Agreement and issues 268,819,004 Ordinary Shares to Maxit Capital and clients of Maxit Capital. The Company enters into the Newcrest Subscription Agreement.

September 2016	The Company receives a further investment proposal from Maxit Capital. Maxit Capital, offers to (i) arrange a cash investment into the Company at a price of US\$0.16 per Ordinary Share, for a total aggregate proceeds of US\$20,000,000, or (ii) jointly subscribe with Newcrest International for aggregate proceeds of US\$33,000,000, whereby Newcrest International would subscribe for 10 per cent. of the capital of the Company at US\$0.16 per Ordinary Share for aggregate proceeds of US\$22,863,000, and Maxit Capital and its clients would subscribe for aggregate proceeds of US\$10,137,000 at US\$0.16 per Ordinary Share.
October 2016	The Company enters into the Maxit Second Subscription Agreement and Further Deed of Variation, whereby Newcrest International subscribes for 142,896,661 Ordinary Shares at US\$0.16 per Ordinary Share for aggregate proceeds of US\$22,863,000, and Maxit Capital and its clients subscribe for 63,353,338 Ordinary Shares at US\$0.16 per Ordinary Share for aggregate of US\$10,137,000. The Company receives an alternative investment proposal from BHP Billiton (by way of Minera Spence S.A or a nominated affiliate) to acquire, <i>inter alia</i>, 10 per cent. of the capital of the Company for US\$30,000,000 at an implied price of US\$0.22 per Ordinary Share. The BHP Billiton proposal is rejected by the Board. Following shareholder approval, the Company issues a total of 63,353,339 Ordinary Shares to Maxit Capital and clients of Maxit Capital pursuant to the Maxit Second Subscription Agreement. Following shareholder approval, the Company issues a total of 142,896,661 Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement. The Company subsequently announces that it has signed new drilling contracts underpinning an aggressive four year exploration in respect of the Cascabel Concession.
December 2016	The Company announces that as part of the December Quarterly Review by FTSE, the Company became a constituent of the FTSE AIM UK 50 companies with effect from 12 December 2016.
June 2017	The Company announces a placing of 78,889,080 new Ordinary Shares at 41p per Ordinary Share, raising, in aggregate, US\$41,230,000 (the " Placing "). Pursuant to the Placing, Newcrest International increased its shareholding in the Company to 14.54 per cent. of the total issued share capital.

3. Core and Non-Core Assets

The Company currently owns the following projects:

<i>Project</i>	<i>Location</i>	<i>Style</i>	<i>Ownership</i>	<i>Materiality of Asset to the Group</i>
Cascabel	Ecuador	Copper Gold Porphyry	86.55% owned*	Core
Rannes Project	Queensland, Australia	Epithermal Gold	100% owned	Non-core
Mount Perry Project	Queensland, Australia	Porphyry and Vein Gold	100% owned	Non-core
Normanby Project	Queensland, Australia	Gold Copper Porphyry	100% owned	Non-core
Cracow West Project	Queensland, Australia	Epithermal Gold	100% owned	Non-core

*The Company holds an 85 per cent. direct interest in the Cascabel Concession through its subsidiary ENSA. The Company also holds a 1.55 per cent. indirect interest in the Cascabel Concession through its shareholding in Cornerstone.

The Company currently has approximately US\$68.5 million of cash to invest in its assets which will primarily be used to advance its core asset, the Cascabel Project. The Directors are anticipating expending not less than approximately 91 per cent. of the Company's existing cash on exploration costs on the Cascabel Project over the next 18 months following Admission. It is anticipated that expenditure on its non-core assets in Australia and Solomon Islands will not exceed an aggregate amount of approximately US\$184,000, which will be the amount required to meet administrative costs to maintain these licences and applications.

Approximately 8 per cent. of the Company's existing cash reserves have otherwise been allocated towards other corporate administrative costs.

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Cascabel Concession

The Company holds an 85 per cent. direct interest in the Cascabel Concession in Ecuador through its shareholding in ENSA, which in turn holds a 100 per cent. ownership interest in the Cascabel Concession. A further 1.55 per cent. of the Cascabel Project is held indirectly through its shareholding in Cornerstone. A brief summary of the ownership and interests in the Cascabel Project is set out below:

<i>Location:</i>	180 km north of the capital Quito, Ecuador
<i>Ownership:</i>	ENSA holds 100 per cent. ownership interest of the Cascabel Concession. The Company holds approximately 86.55 per cent. ownership in the Cascabel Concession.
<i>Tenement Area:</i>	50 km ²
<i>Primary Target:</i>	Porphyry copper-gold

The Company also holds 31,153,092 shares in Cornerstone (10.38 per cent. based on Cornerstone's total issued capital of 300,081,467 shares as at 4 July 2017), which is the entity that holds the remaining 15 per cent. equity interest in ENSA. Accordingly, through the shares held in Cornerstone, the Company has a further indirect interest in the Cascabel Concession of 1.55 per cent.

The Cascabel Concession applies to an area over 50 km². The Cascabel Concession was registered with the Ministry of Energy and Mines on 7 May 2010 and has a term of 25 years which expires on 7 May 2035. On 23 August 2013, ENSA was granted the Environmental Licence permitting it to carry out diamond drilling.

The Ecuador mining cadastre classifies the Cascabel Concession as an advanced exploration licence for metallic minerals, with gold listed as the primary commodity. The licence was initially issued to a subsidiary of Santa Barbara Resources (namely Santa Barbara Copper & Gold S.A., which later changed its name to ENSA) on 12 January 2007, and was sold to Cornerstone in July 2011. In May 2012, the Company entered into a joint venture with Cornerstone to explore the Cascabel Project.

As part of the terms of the sale of the property by Santa Barbara Resources in 2012, an option to purchase 2 per cent. of the net smelter return (the "NSR") was retained by Santa Barbara Resources. The NSR is the gross amount received from the sale of ores, concentrates or precipitates process for the mine less the fair market costs of smelting, refining, sampling, charges and penalties for treatment and testing and less the fair market costs of handling, transporting, securing and insuring that material. Santa Barbara Resources was also entitled to an NSR option which allows for the purchase of 1 per cent. NSR for US\$1,000,000 within 3 months of the completion of a bankable feasibility report, and a further 1 per cent. NSR 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 Resources in 2015, this option has been held by a third party agent in trust for the benefit of the prior shareholders of Santa Barbara Resources.

No additional permits beyond the granted Cascabel Concession and the Environmental Licence are required to undertake exploration within the Cascabel Project.

The Cascabel Project is a porphyry copper-gold deposit located in the Imbabura province of northwest Ecuador, approximately 100 km north of the capital Quito and 50 km north-northwest of the provincial capital, Ibarra. It lies just off the main road, an easy 3-hour drive north of Ecuador's capital city, Quito. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. Topography rises from elevations of 1000 metres to 2,100 metres and the moderate to steep landscape is incised by four large drainage complexes. A first-order paved highway provides year-round access and crosses the north-east corner of the Cascabel Concession (please see Figure 1 below).

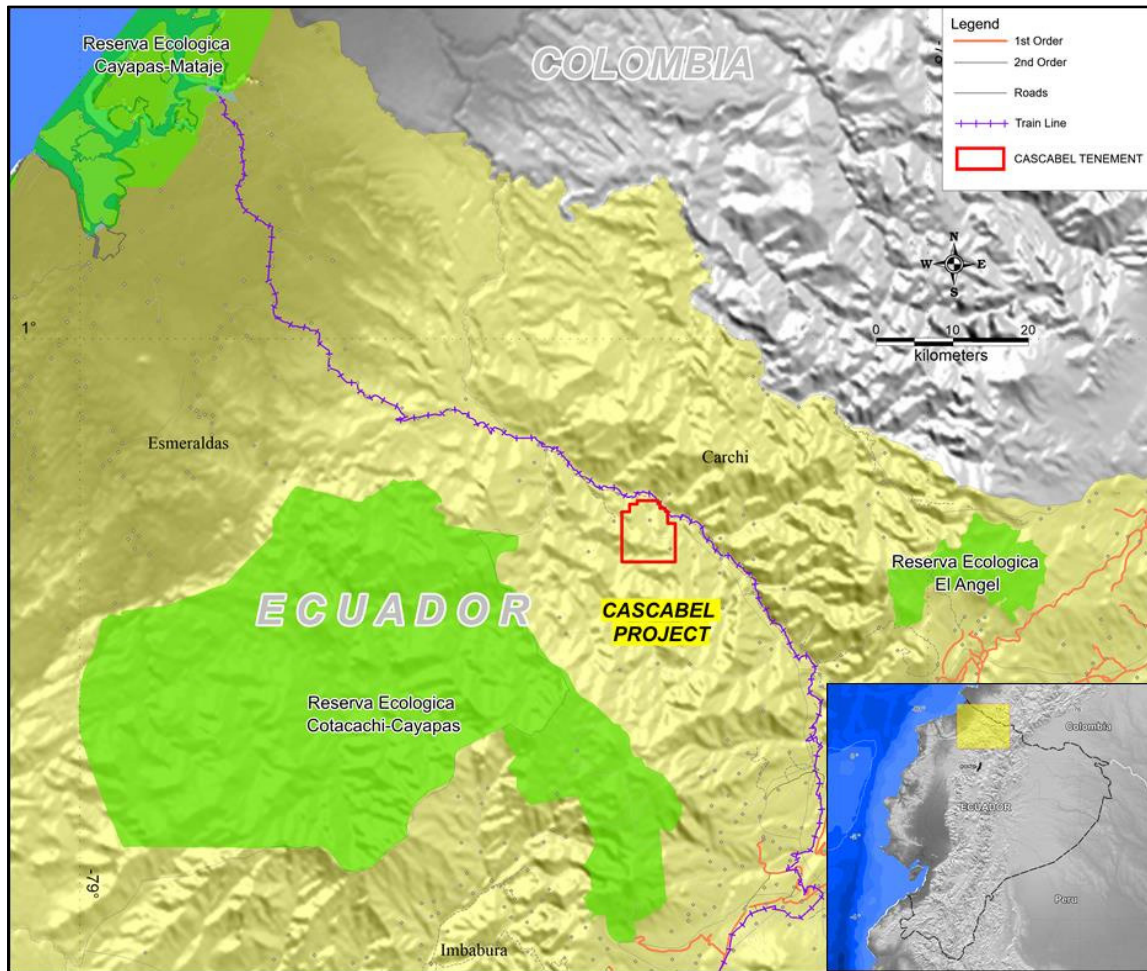


Figure 1: Location of the Cascabel Project in northwest Ecuador. Source: CPR Figure 3-1, page 17.

The accretionary terranes around the Cascabel Concession are considered to hold significant potential for hosting economic porphyry systems due to the combination of terrane accretion and compressional tectonics, shallow subduction, crustal scale sutures and calc-alkaline magmatism.

The Cascabel Project is the Company's flagship project and the Directors believe that it shows significant potential of hosting an economic resource. At Alpala, 28,300m of drilling has been completed over 2 phases for 22 drill holes. Phase one drilling has included 16 holes which have hit the Alpala deposit and 8 of which (Holes 5, 9, 12, 15R2, 16, 17, 18 and 19) delivered very significant intersections consisting of over 1km of continuous mineralisation grading over 1 per cent. Copper Equivalent. Drill hole CSD-15-012 returned results comparable to the larger copper porphyry projects in operation around the world, with 1312m grading 0.67 per cent. copper and 0.63 g/t gold for 1.23 per cent. Copper Equivalent.

Drilling to date has not yet constrained the rich Alpala copper-gold deposit, and estimation of a resource is premature. Alpala alone is emerging as a potential economic copper project with high average grades in both copper and gold. The project will also enjoy the support of the surrounding 14 identified targets. Due to the size of the yet undermined giant porphyry copper gold deposit at Alpala, and the number of individual projects which comprise the Cascabel Project, the Company anticipates that development and drilling will commence no sooner than 2020. The large number of individual projects within the Cascabel concession area makes the timing of development and extraction difficult to estimate as at the date of this document.

The Company proposes to expand Alpala and drill test the other copper-gold targets, particularly Alpala, Trivinio, Moran, Aguinaga and Tandayama-America. The Company is proposing to complete over 145,500 metres of drilling is planned over the next two years.

Ecuador is undergoing a transformation with significant improvements to infrastructure, including five key sea ports, over 10,000km of new highways, and 8 new hydroelectric projects. These infrastructure

improvements are sure to afford the project enormous capital advantages as it moves toward feasibility over the coming years. Completion of a new access road to Alpala Camp via the village of Santa Cecilia in co-operation between the provincial government and the local community is providing vital operational advantages to the project.

Northern Ecuador lies within the under-explored northern section of the richly endowed Andean Copper Belt, which extends from Chile in the south to Colombia in the north and then north-west into Panama. The tenement lies on the margin of the Eocene and Miocene metallogenic belts which are renowned for hosting some of the world's largest porphyry copper and gold deposits, like the giant La Escondido Copper Mine in Chile, which is the world's largest producer of copper and hosted within the same age host rocks as Cascabel.

A number of other globally significant deposits have been discovered in the region, some of which are becoming mines. These include the Junin copper project (318 million tonnes at 0.70 per cent. Cu), located some 60 km to the south-west of Cascabel, the La Colosa porphyry deposit (1.1 billion tonnes at 0.83 g/t Au) located to the north in Colombia and the massive Cobre Panama deposit (4.7 billion tonne at 0.34 per cent. Cu) located to the north in Panama which contains over 8 million ounces of gold. The Fruta del Norte project in southern Ecuador is among the largest and highest grade undeveloped gold projects in the world (35.4 million tonnes at 8.33 g/tAu) and highlights the pedigree of potential within the country.

The project is located within the Cordillera Occidental (or Western Cordillera) of the Ecuadorian Andes. Basement rocks consist of ocean floor basalts and sediments of Cretaceous age. High-level Eocene (and possibly Late-Miocene) batholiths and associated granite, granodiorite and diorite bodies intrude volcanic and sedimentary rocks of Cretaceous to Tertiary age. The regional controls that localise gold and copper mineralisation at Cascabel are intimately related with the three-dimensional interaction of deep seated NE-trending 1st order (arc-parallel) structures, with NW-trending 2nd order (arc-normal) faults, and NNW-trending 3rd order structures.

Within the Cascabel Concession, volcanic and sedimentary rocks are intruded by a number of Quartz diorite, diorite and hornblende diorite stocks and dykes. The Company field teams continue to perform 1:500 scale. "Anaconda" style geological mapping over the tenement area and updates to the local geology map remain ongoing.

Exploration Highlights

Exploration on the Cascabel Concession has included geological mapping, stream silt sampling, soil sampling, rock chip sampling, channel sampling, a heli-magnetic survey (which has been modelled in 3D), a radiometric survey, gridding in preparation for a 3D Induced Polarisation (IP) and magneto-telluric (MT) survey, diamond drilling, petrography, mineragraphy, metallurgical scoping work, terra-spec spectral mapping, and orientation and environmental base line sampling.

Exploration activity to date has identified 14 potential targets for porphyry centres at Cascabel, with 6 high priority prospects at:

1. Alpala (Cluster including Central, Northwest, Southeast and Cristal);
2. Aguinaga;
3. Moran;
4. Trivinio;
5. America-Tandayama; and
6. Carmen.

Exploration activities during 2016 included:

- Anaconda style geological mapping in key areas.
- Exploration reconnaissance mapping and sampling across the mineralized corridors identified.
- Extension and infill soil sampling across the remaining prospective portion of the tenement. Rock-saw channel sampling at Alpala, Alpala Southwest, Alpala South, Trivinio and Moran prospects.

- Re-modelling of constrained heli-magnetic, Orion 3D IP and MT surveys at Alpala and Aguinaga using data collected from magnetic susceptibility of drill core and magnetic susceptibility of rock outcrops at satellite prospects.
- Diamond drilling of holes 15R to 22 at Alpala, for a total of 11,934.11m, bringing the total metres drilled at Cascabel to 28,267m.
- Upgrade and expansion of the Alpala field camp and the Rocafuerte field office.
- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralization styles paragenesis, and alteration types.
- Mineragraphy and metallurgical scoping work.
- Spectral alteration mapping and soil gridding across the tenement, and follow-up deep auger mapping. Further refining targets identified.
- Ongoing environmental management with strict adherence to guidelines provided by the Ministry of Environment.
- Submission of annual technical and environmental management reports.
- Preparation for ground-magnetic and Lidar surveys to be conducted in 2017.

The completion of soil gridding and infill across the entire tenement area has produced coincident molybdenum, gold and copper/zinc ratio in soil anomalies that highlight targets of potential porphyry centres characterized by higher temperatures of mineralization. The low manganese in soil is inferred to be related to intense late-stage hydrothermal alteration, whilst the presence of elevated zinc surrounding these areas of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

Priority target areas at Alpala, Trivinio, Hematite Hill, Alpala South East and Aguinaga will be drill tested in the coming year, whilst field programs continue to assess potential of the 14 possible porphyry centres identified to date. Detailed follow-up fieldwork and technical studies of the other satellite targets continue as new target are being generated in the surrounding areas and exploration over the tenement.

During the year, the geology department collected 34 rock chip samples, 279 two metre long rock-saw channel samples, and 504 soil samples. Rock saw channel sampling was completed at Alpala, Alpala South, Parambas Trivinio and Moran, whilst soil sampling saw completion of 100 per cent. coverage across the tenement, as well as completing infill sampling over the Alpala Central area.

Alpala Deposit

Following the granting of the Environmental Licence, ENSA commenced diamond drilling on 1 September 2013. The completion of 22 diamond core holes over a 900m by 400m surface area along an 1300m deep vertical column has now defined a northwesterly-trending, steeply northeast-dipping zone of multi-phase porphyry style stock-work veining and associated phases of diorite to quartz diorite stocks and dykes. This intrusive complex is hosted by a sequence of andesitic volcanoclastic rocks and lavas. The host-rocks are mapped as the Oligocene to Early Miocene San Juan de Lachas Formation, however, age date constraints from studies conducted by the Company suggest that the lower portion of this sequence was deposited in the Eocene.

The geometry and nature of the mineralisation at Alpala is now quite well understood. A total of 7 phases of intrusion are defined on the basis of composition and relative timing-relationships with porphyry-related vein-stages. Pre-mineralisation Volcanogenic and "D10" diorite host rocks, are intruded by upward tapering intrusions of early pre-to syn-mineral "QD10" quartz diorite, which are all subsequently intruded by intra-mineral "D15" diorite and "QD15" quartz diorite, cut later by late-mineralisation dikes and breccia bodies. Each intrusive phase has its own set of quartz veining, and the intimate association between "B"-type quartz vein abundance, with Copper Equivalent grades continues to prove an efficient targeting tool.

Age dating on zircons in late staged mineralised intrusions returned 38.7 ± 0.6 Ma, which lies near the boundary of the Middle-to-Late-Eocene. The porphyry-related vein types and paragenesis at Alpala indicate a systematic progression in time and classical porphyry B-type quartz veins contain the majority of the copper and gold in the deposit. Chalcopyrite-rich, C-type sulphide veins containing accessory bornite also

contain significant amounts of metal and are associated with elevated gold grades. 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.

During the year drilling has focused on expanding the known mineralisation at Alpala along strike, both towards the northwest and southeast. Holes 15R to 22 were completed, for a combined 11,934.11m. Holes 15 and 15R were abandoned due to drilling issues encountered down hole, and hole 15R2 was successfully completed to planned depth thereafter.

The mineralised porphyry copper gold system at Alpala occurs at surface over 250m in length and 50m and drilling to date has identified its extents at depth over a zone 900m in length and 400m width over a continuous 1,300m vertical column. The limits of the Alpala deposit are not yet defined and an aggressive drilling program is underway.

The most notable drill intercept to date is 1,312 m at 0.67 per cent. Cu and 0.63 g/t Au from 128 m depth in CSD-15-012, which includes 576 m at 1.03 per cent. Cu and 1.19 g/t Au. Holes 15R2, 16, and 17 have also had notable results. The deposit remains open at depth, along and across-strike and has similarities to several globally significant copper-gold deposits, many of which have or are becoming mines.

Aguinaga Prospect

Aguinaga prospect lies along a prominent topographic high (1,615 m) about 3 km south of Rocafuerte site office and 1.3 km to the northwest of Alpala. The interpreted porphyry centre at Aguinaga occurs at the confluence of a deep seated regional northwest trending structure with a major northeast trending lineament. This is the same structural regime within the same host rocks that hold the recently discovered porphyry deposit at Alpala.

It is characterized by a classical 500 m by 500 m magnetic high surrounded by an annular magnetic-low which has strong similarities with the enormous Alumbra deposit in Chile, as well as the Grasberg and Batu Hijau magnetic signatures. This geometry is consistent with a large porphyry system characterized by a central magnetic high related to an intrusive centre and a magnetite destructive halo caused by pyritic phyllic/argillic alteration. The presence of a strong annular chargeability high with a central tapering root at Aguinaga is consistent with sulphide-bearing, disseminated and/or stock-work style mineralization peripheral to and above a porphyry stock.

The presence of coincident copper, gold, and molybdenum in soil anomalies supports the inferred porphyry centre at Aguinaga. The low manganese in soil that flanks the central copper zone to the north and south is likely to be related to intense late-stage hydrothermal alteration. The presence of an elevated zinc aureole surrounding this area of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

Reconnaissance field-work initially located mineralized porphyritic diorite along the northern slope of Aguinaga Hills, subsequent detailed, 1:500 scale. "Anaconda" style geological and structural mapping has led to the discovery of porphyry stock-work copper-gold mineralization outcropping at surface. Mineralization is exposed along the upper section of Aguinaga Creek, where classic porphyry style 'B'-type quartz-magnetite-chalcopryite-bornite stock-work veining occurs within porphyritic diorite.

The outcropping mineralization is accompanied by potassic (biotite) alteration and 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 open ended intersection of 9.0 m at 1.01 per cent. Cu, and 0.79 g/t Au. Infill soil-sampling along with spectral analysis of soil rock fragments using deep motorized auger gridding has been completed, but the results have yet to be interpreted.

Trivinio Prospect

Ongoing expansion of 1:500 scale geological mapping across the growing porphyry field at the Cascabel Project led to the discovery of porphyry copper-gold mineralization in outcrop this year, along the northern and northeastern slopes of Trivinio Hills, which lies 750 m due north of hole 5 at Alpala Central. Trivinio occurs along the northeastern margin of a deep seated regional northwest trending structure inferred to be a zone of crustal weakness tapping into copper and gold rich intrusions at Alpala Central (the "Alpala Structural Zone").

The extent of outcropping mineralization occurs over an area of approximately 300 m by 200 m and occurs as classic porphyry stock-work style 'B'-type quartz veins with a centreline of magnetite and chalcopyrite as well as fine disseminated chalcopyrite in the wall rock. The high copper content mineral species chalcocite (70 per cent. Cu) has also been observed in the vein and in disseminations. Veins strike northwest and northeast and vein density is strong, making up 10 per cent. of the rock mass in some zones. This material is comparable with the outcrops discovered in Alpala Creek, near hole 12 (CSD-15-012) at Alpala Central.

The Trivinio discovery, like the recent find of outcropping copper and gold mineralization at Aguinaga, highlights the fertility and potential for a broader porphyry copper-gold system at the Cascabel Project. Mineralized surface outcrops such as these, in such close proximity to the vertically extensive high-grade copper and gold mineralization discovered at Alpala, make for robust drill targets. The frequency of mineralized outcrops of porphyry at the Cascabel Project highlights the significance of the Trivinio discovery.

The Trivinio outcrops are located immediately north of the Alpala lithocap area where a discrete magnetic high occurs, and forms part of the complex magnetic signature over the wider Alpala area. The presence of coincident copper, molybdenum, and copper/zinc in soil, supports a porphyry centre characterized by higher temperatures of mineralization. This geochemical signature is typical of the metal zonation around many global porphyry copper-gold deposits.

Assay results for surface rock saw channel sampling at Trivinio indicate surface copper gold mineralization of up to 0.43 per cent. copper and 0.43g/t gold. The mineralization occurs within volcanic rocks within the upper argillic clay altered zone interpreted to lie above a significant copper porphyry system responsible for the mineralization. The prospect covers an area of 300 m by 400 m at surface, more extensive than the Alpala Creek discovery outcrop. Trivinio has been advanced to drill-ready status and a drilling platform has been identified. Subject to the results of hole 16, rig availability and logistics, the Company intends to drill this target in the near future, along with the outcropping Aguinaga prospect located 1.2 km northeast of Alpala Central.

Alpala South Prospect

1:500 scale geological mapping and rock-saw channel sampling to the south and southeast of the Alpala deposit also lead to discovery of porphyry copper-gold mineralization in outcrop, along the northern and southern slopes of the Alpala South prospect, which lies 400 m due south of hole 5 at Alpala Central. The extent of outcropping mineralization at Alpala South and Hematite Hill has not yet been defined, as mapping continues over the ridges that separate Alpala Central and Alpala Southeast.

The prospective centres at Alpala South and Hematite Hill occur within an area of elevated magnetic response within the Alpala magnetic complex, and occur along either side of the southeastern extension of the Alpala Structural Zone.

The presence of a discrete copper/zinc soil anomaly, supports a preserved porphyry centre characterized by higher temperatures of mineralization. This geochemical signature is typical of the metal zonation around many global porphyry copper-gold deposits. The occurrences of more distinct copper/zinc anomalies further south of Alpala South, and at Alpala Southeast are priority areas for ongoing reconnaissance field inspection.

The outcrops at Alpala South contain porphyry style quartz – iron oxide veins, the fresh sulphides having been leached from the weathering environment. The veining occurs within volcanic host rocks in a sheeted form, with veins orientated along a west-northwest-trend, and dipping steeply towards the north-northeast.

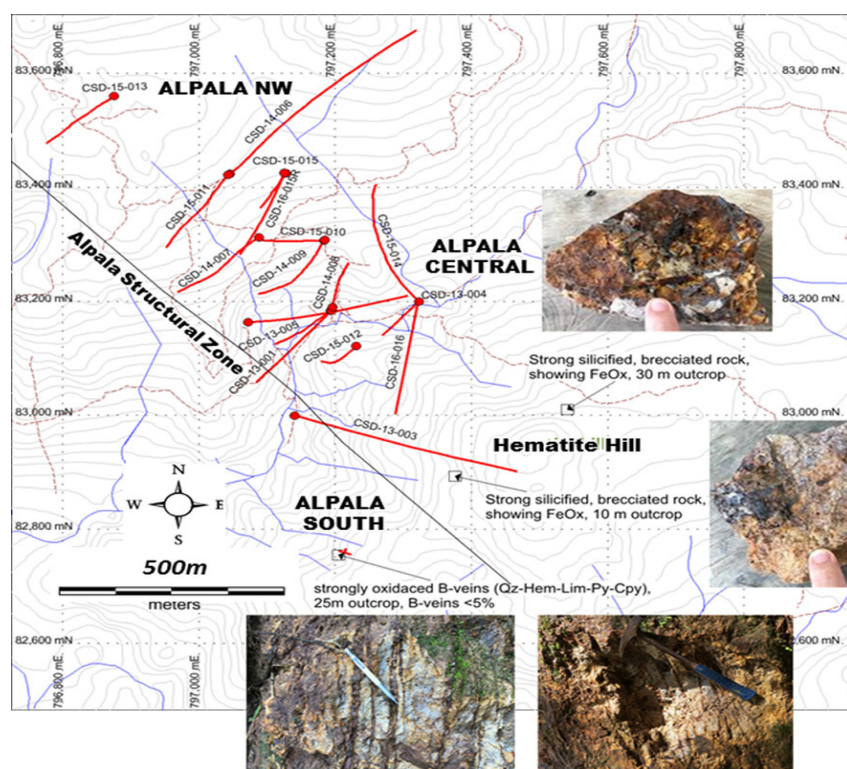


Figure 2: Outcrops recently discovered at Hematite Hill and Alcala South. Source: Figure produced by the Company.

The Alcala South discovery, similar to the recent discovery of outcropping copper and gold mineralization at Aguinaga and Trivinio, highlights the potential of a broader porphyry copper-gold system at the Cascabel Project. Mineralized surface outcrops, such as the ones at Alcala South, that display high vein density up to 10 per cent. of the total rock mass, and in close proximity to the vertically extensive high-grade copper and gold mineralization discovered at Alcala, make for robust drill targets.

The discovery of new outcrops around Alcala is becoming increasingly numerous and the frequency of discovery of new mineralized outcrops of porphyry style mineralization at the Cascabel Project highlights significance of the Alcala South discovery.

Spectral alteration mapping along the Moran-Alcala trend highlights an abundance of high temperature clays in the southeastern quadrant of the greater Alcala area, and drill testing along this portion of the corridor with rig 1 moving further southeast is planned for the coming year. The presence of underlying magnetic vector inversion anomalies at Carmen, Moran, and Parambas have encouraged follow-up work on these areas, and new information will become available as the exploration program progresses.

The Company's material asset is the Cascabel Project. Whilst it will continue to fund administrative costs in relation to the maintenance of its non-material licences in Australia, it does not anticipate incurring any further expenditure in respect of the exploration of those assets until the development of the Cascabel Project is substantially advanced.

AUSTRALIA

In Queensland, Australia, the Company has identified the following projects: (i) the Mount Perry Project, (ii) the Normanby Project, (iii); the Rannes Project, and (iv) the Cracow West Project (please see Figure 3 below). The Company has not conducted any recent exploration activity on these projects. Joint venture opportunities have been sought for these projects and, while there has been interest from several junior exploration and mining companies, due to the continued challenging equities markets, companies have found it difficult to raise exploration funds. As such, no joint venture deals resulting in the commencement of exploration have materialized. The Company's interest in the Australian projects are held by Central Minerals Pty Limited (which holds the Rannes Licence and Cracow West Licence) and Acapulco Mining Pty Ltd (which holds the Mount Perry Licence and Normanby Licence).

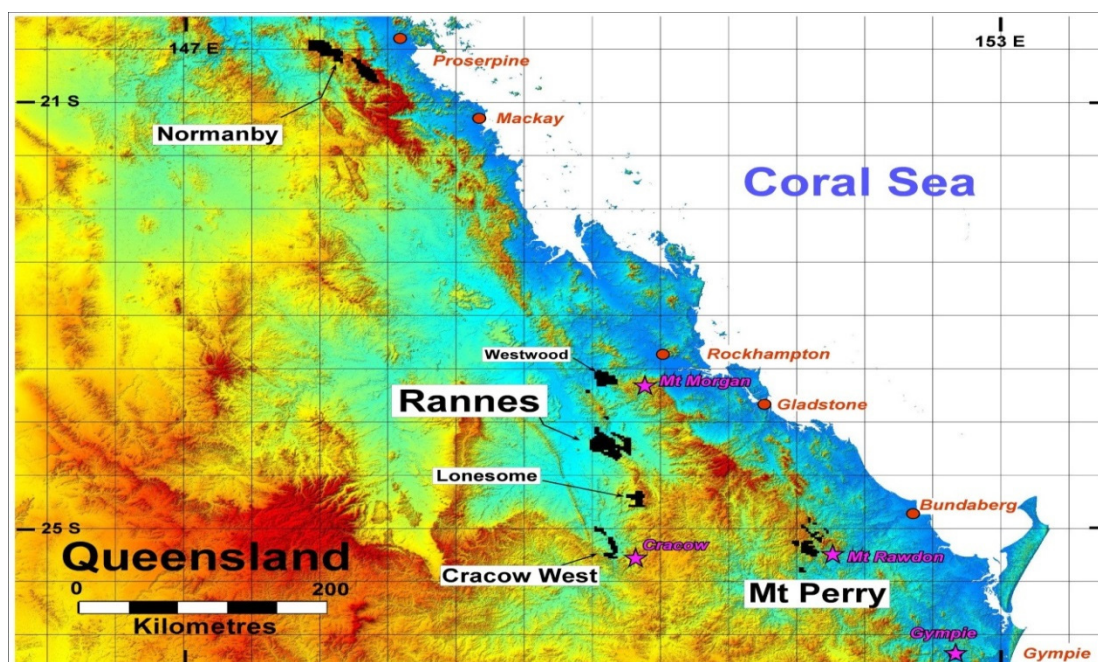


Figure 3: Location of tenements held by the Company in Queensland, Australia. Source: Figure produced by the Company.

Mount Perry Project

The Company holds a 100 per cent. direct interest in the Mount Perry Project in Australia through its shareholding in Acapulco Mining Pty Ltd, which in turn holds a 100 per cent. ownership interest in the Mount Perry Licence. A brief summary of the ownership and interests in the Mount Perry Project is set out below.

<i>Location:</i>	130 km northwest of Gympie, Queensland, Australia
<i>Ownership:</i>	The Company holds 100 per cent. ownership interest
<i>Tenement Area:</i>	108 granted sub-blocks (circa 345.6 km ²)
<i>Primary Targets:</i>	High grade, lode gold deposits and possible gold porphyry deposits

Exploration at the Mount Perry Project has focused along 2 mineralized structural zones: (i) the Augustine-New Moonta trend; and (ii) the Chinamans-Reagans trend.

The primary target is the Augustine-New Moonta trend which extends over a 20 km long northeast trending corridor from Augustine in the southwest to the New Moonta mines in the northeast. The second target zone is the Chinaman's-Reagan trend. Exploration to date at the Mount Perry Project has identified several high grade vein-style targets and lower grade, high-tonnage porphyry-style gold targets. A significant amount of the tenement remains unexplored, leaving the potential for unrecognized prospects to be discovered within the area. The Company intends to pursue a joint venture partnership in order to continue exploration at the Mount Perry Project.

Normanby Project

The Company holds a 100 per cent. direct interest in the Normanby Project in Australia through its shareholding in Acapulco Mining Pty Ltd, which in turn holds a 100 per cent. ownership interest in the Normanby Licence. A brief summary of the ownership and interests in the Normanby Project is set out below.

<i>Location:</i>	120 km northwest of Mackay, Queensland, Australia
<i>Ownership:</i>	The Company holds 100 per cent. ownership interest

Tenement Area: 60 granted sub-blocks (circa 192 km²)

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

The Company's exploration to date has focused around the Normanby Project goldfield, a collection of 70 historical workings. The most significant intersections were at the Mount Flat Top prospect.

No field explorations were conducted in 2016 at the Normanby Project. The Company is seeking expressions of interest to joint venture the Normanby Project.

Rannes Project

The Company holds a 100 per cent. direct interest in the Rannes Project in Australia through its shareholding in Central Pty Ltd, which in turn holds a 100 per cent. ownership interest in the Rannes Licence. A brief summary of the ownership and interests in the Rannes Project is set out below.

Location: 140 km west of Gladstone, Queensland, Australia

Ownership: The Company holds 100 per cent. ownership interest

Tenement Area: 211 granted sub-blocks (circa 675.2 km²)

Primary Targets: Disseminated and vein gold and silver deposits

Thirteen prospects have been identified within the Permian-aged Camboon Volcanics, with the majority lying along north-northwest trending fault zones.

Cracow West Project

The Company holds a 100 per cent. direct interest in the Cracow West Project in Australia through its shareholding in Central Minerals Pty Ltd, which in turn holds a 100 per cent. ownership interest in the Cracow West Licence. A brief summary of the ownership and interests in the Cracow West Project is set out below.

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

Ownership: The Company holds 100 per cent. ownership interest

Tenement Area: 20 granted sub-blocks (circa 64 km²)

Primary Targets: Low-sulphidation epithermal Au-Ag deposits

The Cracow West Project is located 15 km to the northwest of Evolution Mining's Cracow gold mine (approximately 1,500,000 ounces of gold).

The Company's exploration has identified three significant prospects; Dawson Park, Kambrook and Theodore Bends.

The Company's interests in the tenements outlined above are summarised below:

<i>EPM</i>	<i>EPM Name</i>	<i>Principal Holder</i>	<i>Project</i>	<i>Expiry</i>
Queensland				
25245	Mount Perry Consolidated	Acapulco Mining Pty Ltd.	Mount Perry Project	21 January 2018
19410	Normanby Consolidated	Acapulco Mining Pty Ltd.	Normanby Project	16 June 2017*
18760	Westwood	Central Minerals Pty Ltd.	Rannes Project	22 January 2017*
19243	Lonesome	Central Minerals Pty Ltd.	Rannes Project	22 January 2019
19639	Goovigen Consolidated	Central Minerals Pty Ltd.	Rannes Project	19 October 2017
25300	Cooper Consolidated	Central Minerals Pty Ltd.	Rannes Project	4 March 2018
18032	Cracow West	Central Minerals Pty Ltd.	Cracow West Project	10 November 2018

*Renewal applications have been lodged with the Queensland Department of Natural Resources and Mines and the Group has no reason to believe the renewals will not be granted.

Table 2: The Company's interests in tenements.

OTHER EXPLORATION PROSPECTS

Solomon Islands

On 10 February 2017, the Company (through its wholly owned subsidiary, Australian Resources Management (ARM) Pty Ltd ("ARM")) applied for a prospecting licence, which is located in Guadalcanal in the Solomon Islands. The Mbetilonga prospecting licence application ("Mbetilonga Application") covers an area of approximately 46 km² and is located approximately 8km 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 relates to a large nested volcanic collapse structure covering an area of 46 km². 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.

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

4. Trends affecting the Company

The following summary sets out recent trends affecting the Company.

Market Trends

Whilst exploration for copper in mature provinces has increased in recent years the amount of copper being discovered has declined and the tonnage and grade of copper resources in undeveloped inventories has also declined increasing supply demand. The same trend is evident in gold. In addition there is a general trend in most mining jurisdictions towards an improved culture of permitting responsible resource development. The Gold exploration and mining companies are showing an increasing trend towards the investigation of large porphyry copper gold systems as a source of large gold inventories forming a credit to a copper orebody. Copper porphyries are generally geologically young and have therefore have not been subject to the type of destructive or attenuating physical faulting and structuring that geologically much older pure gold terrains as found in West Africa have suffered.

Ecuador is currently driving a reformation of popular regulatory and legislative support for the development of a mining Industry. This trend in Ecuador has been driven by a decline in oil and gas revenues and resources from the Western Amazon Basin.

Trends in porphyry exploration

Porphyry copper gold exploration around the world has been made considerably more cost effective than was the case 20 years ago. This is due to the rapid advancement in the understanding of metal zonation in porphyry mineralisation systems and the relationship between the amount of oxygen in the porphyry systems and grade.

Geophysical exploration techniques which seek and analyse signals from mineralised zones have become over the same period considerably more sophisticated. Higher power magnetic and electrical survey units mean that more data can be collected quicker, cheaper and deeper using both ground based and aerial systems. Using three dimensional modelling techniques based on integrated analysis of magnetic and electric signals, show correlation between magnetic and electric isosurfaces which are reliably associated with copper mineralisation in porphyry systems. As a result, SolGold anticipates that accurate 3D models for magnetics and electrical properties will become increasingly important in predictive copper porphyry exploration.

Economic trends

Copper prices are increasing recently in response to inexorable global growth and specific new broader uses for copper, including for electric cars antibiotic applications, light communications and power supply in undeveloped nations and such general use. This is expected to continue to at least the end of the calendar year 2018. Copper is expected to be in shortfall with stock piles depleted by the end of calendar year 2018.

5. Strategy

Corporate Strategy

The Group's corporate strategy is to:

- Create substantial wealth for its shareholders by exploring, discovering and defining large 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 that host very significant deposits.
- Target grass roots level exploration opportunities to enable low cost entry into projects.
- Focus on disciplined and systematic approach to exploration.
- Maximise 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 the application 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 we operate.
- Maintain a strong focus on health and safety for our employees and contractors.

The Company is taking up the growth potential for copper as global urbanisation irrevocably drives copper demand higher. The Group is focused on two of the world's most important metals, copper and gold. The Company has a dedicated commitment to corporate social responsibility and is passionate about the Group's active health, safety, community and environment programs in its areas of exploration. The Group has outstanding safety record and ensures that its people are properly trained and work in a planned and controlled manner under procedures that ensure safe operations.

Environmental and social management programs initiated in 2015 continue to expand and build on the programs initially established in 2012. The Cascabel Project is situated within the boundaries of three communities. The main community of Santa Cecilia located in the central part of the concession is very supportive of the Group's presence and exploration activities. Local concerns regarding mining and exploration relate primarily to issues of water use and water management, and the Group have state of the art water recycling facilities in place at the Rocafuerte base and Alpala field camp and at each drill site, including the commissioning of innovative Solids Removal Unit ("SRU") sediment removal technology through AMC Minerals. The SRU units are highly beneficial towards good environmental stewardship during drilling programs at Cascabel, and substantially lower water usage by reducing the volume of material transported from drilling and reduces the potential of suspended solids running off into natural fresh waters. The AMC SRU unit technology won the Association of Mining and Exploration Companies (AMEC) Convention Award in 2014.

The Company upholds community relations, and strives to build strong community relations with the communities at Cascabel, through sponsoring many community enterprises as well as engaging the community in regular environmental monitoring studies and rehabilitation programmes.

Exploration Strategy

The Group's exploration strategy includes the following elements:

- Capitalisation of the Group's track record of success in the discovery of mineral resources.
- Detailed due diligence of project opportunities.

- A disciplined approach to the evaluation of projects to generate exploration datasets that may include all or some of the following exploration activities: geological mapping, stream, soil and rock chip geochemical sampling, and geophysical surveying.
- Generation of robust drill targets testing ore deposit models based on multiple exploration datasets.
- Drill testing targets to define potentially economic mineral resources that the Group can take to feasibility study stage.

The Company has a track record of experience at operational management and Board level to define and develop mineral resources from discovery through to feasibility and development. The team remains engaged upon project generation globally, targeting tectonically fertile areas and in countries set to blossom in the next mining up turn, as well as streamlining assets in Australia.

In Ecuador, the Group is advancing the Cascabel Project countrywide generative work in order to acquire top quality projects and is progressing with a number of tenements being granted.

At Cascabel, the benefits of corporate deals with Newcrest Mining and Maxit Capital are being realised as exploration widens beyond the deposit being discovered at Alpala. A review of drilling results has clarified very significant intersections at updated metal prices, and geology model analysis is constantly improving drill targeting capabilities.

The competent person was commissioned to qualify complex geological modelling and a technical report on exploration at Alpala. The Alpala deposit is larger than previously thought, and the Alpala Maiden Resource was deferred due to excessive portions of the deposit remaining open. Further drilling is required to fully constrain the Alpala resource which is expected to require an additional 145,500m of drill testing. The aggressive ramp up of Alpala Resource drilling includes the arrival of 3 track mounted deep hole diamond drill rigs in October 2016, February 2017 and March 2017, ahead of a progressive ramp up to 10 diamond drill rigs, for testing of high-priority targets.

Additional porphyry copper-gold targets within the Cascabel Concession require over 100,000m of drill testing, with the potential for additional drilling anticipated for resource definition at each target defined.

In Australia, a reassessment of the range of projects held in Queensland has resulted in definition of detailed work programs that will be put in place as exploration funds become available.

6. Directors and Senior Management

The management expertise and experience of each of the Directors and senior management is set out below.

Nicholas Mather, *Chief Executive Officer (date of birth 23 June 1957, aged 60)*

Nicholas Mather graduated in 1979 from the University of Queensland with a B.Sc. (Hons, Geology). He has 32 years' experience in exploration and resource company management in a variety of countries. His career has taken him to numerous countries exploring for precious and base metals and fossil fuels. Mr Mather has focused his attention on the identification of and investment in large resource exploration projects.

He was managing director of BeMaX Resources NL (an ASX-listed company) from 1997 until 2000 and instrumental in the discovery of the Ginkgo mineral sand deposit in the Murray Basin in 1998.

As an executive director of Arrow Energy NL (ASX-listed) until his resignation in 2004, Mr Mather drove the acquisition and business development of Arrow's large Surat Basin Coal Bed Methane project in south-east Queensland. He was managing director of Auralia Resources NL, a junior gold explorer, before its USD\$23 million merger with Ross Mining NL in 1995. He was a non-executive director of Ballarat Goldfields NL until 2004, having assisted that company in its recapitalisation and requote on the ASX in 2003. He was also founder and Chairman of TSX-V listed Waratah Coal Inc until its \$130m takeover by Minerology Pty Ltd in December 2008.

Mr Mather is Chief Executive of ASX-listed DGR Global Limited.

Mr Mather is a member of the Company's Health, Safety, Environment and Community Committee.

Brian Moller, *Non-Executive Director (date of birth 20 November 1958, aged 58)*

Brian Moller 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 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, is a solicitor of the Supreme Court of Queensland and Solicitor and Barrister of the Supreme Court of Western Australia 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 ASX-listed DGR Global Ltd, Dark Horse Resources Limited, Agua Resources Ltd, Platina Resources Ltd and Lithium Consolidated Mineral Exploration Limited and Chairman of ASX listed AusTin Mining Limited.

Mr Moller is a member of the Company's Remuneration Committee and is the Chair of the Audit Committee and the Health, Safety, Environment and Community Committee.

John Bovard, *Non-Executive Director (date of birth 27 September 1945, aged 71)*

John Bovard is a civil engineer with over 48 years' experience in mining, heavy construction, project development and corporate management throughout Australia and overseas. 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.

As well as holding the position of Non-Executive Director on the Board of the Company, Mr Bovard is also a non-executive director of Aus Tin Ltd.

Previously he was also Chairman of Orbis Gold Ltd from inception until its successful takeover by Semafo of Canada in March 2015.

International experience includes over four years as CEO of Asia Pacific Resources (TSX) working in Thailand, six years working on the OkTedi copper project in the early days including as General Manager, Chairman of Danae Resources (LSE), Project Manager Porgera during the feasibility study and Director of Australian Solomons Gold. Multiple due diligence and feasibility work has been undertaken in Laos, Kazakhstan, West Africa, Mozambique, Mongolia, Vietnam and Thailand.

Major project experience also includes the SuperPit expansion at Kaloorlie as CEO and project manager of the Phosphate Hill Fertiliser Project in Queensland.

Mr Bovard has experience in the emerging resources sector includes being Managing Director of the start-up of St Barbara Mines (ASX), and Chairman of start-up Orbis Gold Ltd (ASX) together with completing a number of corporate "resuscitation" assignments.

Dr Robert Weinberg, *Non-Executive Director (date of birth 14 September 1947, aged 69)*

Dr Robert Weinberg gained his doctorate in geology from Oxford University in 1973. He has more than 40 years' experience of the international mining industry and is an independent mining research analyst and consultant as well as an independent non-executive director of a number of minerals exploration, development and mining companies. He is a fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining.

Prior to his current activities Mr Weinberg was Managing Director, Institutional Investment at the World Gold Council, and a Director of Gold Bullion Securities. 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. Mr Weinberg 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.

Dr Weinberg is a member of the Company's Audit Committee, Remuneration Committee and Health, Safety, Environment and Community Committee.

Craig Jones, *Non-Executive Director (date of birth 30 November 1971, aged 46)*

Craig Jones graduated from the University of Newcastle, Newcastle, Australia, with a Bachelor of Mechanical Engineering (1996).

Mr Jones is currently the executive general manager of the Wafi-Golpu project (held jointly by subsidiaries of Newcrest Mining and Harmony Gold) in Papua New Guinea.

Mr Jones joined Newcrest Mining in 2008 and 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 and Morobe Mining Joint Venture. Prior to joining Newcrest, Mr Jones worked for Rio Tinto as a project manager and engineering manager.

Jason Ward, *Country Manager (date of birth 6 July 1970, aged 47)*

Jason Ward graduated from Queensland University of Technology, Brisbane, Australia, with a Bachelor of Applied Science (Geology) (1991) and a Graduate Diploma of Education (Science/Maths) (1992).

Mr Ward has over 20 years' geological exploration experience from project generation and grass roots exploration through to resources drilling. Mr Ward has worked for the Company since its formation, in both the Solomon Islands and in Ecuador.

Priy Jayasuriya, *Chief Financial Officer (date of birth 18 November 1975, aged 42)*

Priyanka (Priy) Jayasuriya is a Chartered Accountant with over 20 years' experience in public practice and has broad experience over a number of industries. Mr Jayasuriya has worked as a Chartered Accountant in Australia, Singapore and the USA 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, advancing to the position of Executive Director at the firm. Mr Jayasuriya was appointed Chief Financial Officer of SolGold plc on 23 November 2010.

Mr Jayasuriya is currently also the CFO for ASX-listed DGR Global Limited, Armour Energy Limited, Aus Tin Mining Limited and Dark Horse Resources Limited and for AIM-listed IronRidge Resources Limited.

Mr Jayasuriya graduated from the University of Queensland, Brisbane, Australia, with a Bachelor of Commerce (1997).

Karl Schlobohm, *Company Secretary 12 July 1968, aged 49)*

Karl Schlobohm is a Chartered Accountant with over 25 years' experience across a wide range of industries and businesses. He holds Bachelor Degrees in Commerce (1988) and Economics (1989) from the University of Queensland, Brisbane, Australia, and a Masters of Taxation (1998) from the University of New South Wales, Sydney, Australia.

He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting. Mr Schlobohm currently acts as Company Secretary for ASX-listed DGR Global Limited, Armour Energy Limited, Aus Tin Mining Limited and Dark Horse Resources Limited and for AIM-listed IronRidge Resources Limited. In the past three years, Karl has acted as a Director of Dark Horse Resources Limited (ASX) and as an Alternate Director of DGR Global Limited (ASX), Armour Energy Limited (ASX) and Lakes Oil NL (ASX).

7. Reasons for the listing on the Official List

As detailed above, the Company has had a successful year of considerable exploration, development and financial investment. The Company was shortlisted for the Mining Journal Explorer Achievement Award for 2016. The Company announced approximately US\$95.7 million in capital raisings in the period August 2016

to June 2017 involving Maxit Capital and Newcrest International, all undertaken at substantial premiums to previous raisings. The Company currently has approximately US\$68.5 million of cash to invest in its assets and which will primarily be used to advance the Cascabel Project.

As a result of these successes, on 5 December 2016, as part of the December Quarterly Review by FTSE, the Company became a constituent of the FTSE AIM UK 50 companies with effect from 12 December 2016 and its shares were traded on the London Stock Exchange's SETS trading platform. The Board of the Company believes that the Group has now reached a size and stage of maturity at which the standard segment of the Official List will be the most appropriate platform for future growth. The Directors believe that the move will result in the Group benefiting from the increased potential investor base, a higher profile and an increase in the liquidity of its Shares, which will benefit investors and the Group alike.

8. Working Capital

The Company is of the opinion that the working capital available to the Group is sufficient for its present requirements, that is for at least 12 months from the date of this document.

9. Dividend policy

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. Please see the section of this document called "Risk Factors" set out on page 13 of this document.

10. Incentive arrangements

As of the date of this document, there are 31,795,884 Options exercisable at 28 pence, 9,795,884 Options exercisable at 14 pence and 46,762,000 Options exercisable at 60 pence outstanding.

The long term compensation plan of the Company is comprised of a Share Incentive Plan for employees, officers and consultants. A summary of the material terms of the Share Incentive Plan is set out in paragraph 6 of Part IV of this document.

11. Corporate governance

In formulating the Group'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 Group'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 and, as a company with a Standard Listing, the Company is not required to comply with the provisions of the Code. Nevertheless, the Directors are committed to maintaining high standards of corporate governance as detailed in the Company's corporate governance charter and propose, so far as is practicable given the Company's size and nature, to voluntarily adopt and comply with the QCA Code. At present, the Directors acknowledge that adherence to certain other provisions of the QCA Code may be delayed until such time as the Directors are able to fully adopt them. In particular, action will be required in the following areas:

- In keeping with the QCA Code provisions on board composition, the Company has separated the roles of chairman and chief executive. However, the Company does not currently have a senior independent director. Accordingly, the Company does not comply with the QCA recommendations regarding board composition. Craig Jones, John Bovard and Robert Weinberg are considered by the Board to be independent. As the Company grows, the Board will seek to appoint additional independent directors, one of whom will be appointed as senior independent director.
- The Directors have established an audit and risk management committee and a remuneration committee with formally delegated duties and responsibilities. The Company has not, however, established a nomination committee, as it is considered not necessary at this stage of the Company's development. The Board as a whole will consider appointments on a case by case basis.

The Board of the Company is made up of one Executive Director and four Non-executive Directors. Nicholas Mather is the Executive Director. 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 Group. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group'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 Group's expense in the furtherance of his duties. One third of the Directors 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.

The Board attaches importance to maintaining good relationships with all its Shareholders and ensures that all price sensitive information is released to all Shareholders at the same time. The Group's principal communication with its investors is through the Annual General Meeting, the annual report and accounts, the interim statement and its website.

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 Group are properly monitored as well as being jointly responsible with the Board for appointing the external auditor of the Company and liaising with the Company's auditors to discuss accounts and the Group's internal controls and reporting procedures.

The members of the Audit and Risk Management Committee consists of a minimum of 3 members who are Brian Moller (as Chair), John Bovard and Robert Weinberg. The Executive Directors attend meetings by invitation, if appropriate.

Remuneration Committee

The Remuneration Committee meets at least once a year and is responsible for making decisions on Directors' and key management's remuneration packages.

Remuneration of any Executive Directors 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 will also have 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 share options.

The members of the Remuneration Committee are John Bovard (as Chair), Nick Mather, Robert Weinberg and Brian Moller.

Health, Safety, Environment and Community Committee ("HSEC Committee")

The HSEC Committee is responsible for the overall health, safety and environmental performance of the Group and its operations and its relationship with the local community in Ecuador and Queensland. The Committee is comprised of the entire Board of Directors.

Nomination of Directors

The Board does not currently have a formal nominating committee. 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 chairpersons 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.

The Board has recently amended its corporate governance charter to include a nominee director policy setting out the principles to be followed by the Board, in respect of those Directors that are nominated by a Shareholder and the nominating shareholders.

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.

12. Taxation

Further information on United Kingdom taxation with regard to the Ordinary Shares is set out in the paragraph entitled “United Kingdom Taxation” on pages 180 to 182 in paragraph 17 of Part IV of this document. All information in relation to taxation in this document is intended only as a general guide to the current United Kingdom tax position. If you are in any doubt as to your own tax position, or are subject to tax in a jurisdiction other than the United Kingdom, you should consult your own independent professional adviser immediately.

13. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company's Ordinary Shares were admitted to CREST on the date of admission to the Official List.

Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if any Shareholder so wishes. However, CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

14. The City Code on Takeovers and Mergers

The City Code on Takeovers and Mergers (“City Code”) applies to the Company. The City Code is issued and administered by the Takeover Panel.

Mandatory Bids

Under Rule 9 of the City Code, if:

- (a) a person acquires an interest in shares in the Company which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- (b) a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, his concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for any interests in the Ordinary Shares by the acquirer or his concert parties during the previous 12 months.

Squeeze-out rules

Under the Companies Act, if an offeror were to acquire 90 per cent. or more of the Ordinary Shares within the period specified by the Companies Act, it could then compulsorily acquire the remaining Ordinary Shares. It would do so by sending a notice to the relevant Shareholders telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold such consideration on trust for such Shareholders. The consideration offered to Shareholders whose Ordinary Shares are compulsorily acquired under the Companies Act must, in general, be the same as the consideration that was available under the relevant takeover offer, unless such Shareholders can show that the offer value is unfair.

Sell-out rules

The Companies Act also gives minority Shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer relates to all of the Ordinary Shares and at any time before the end of the period within which the offer could be accepted the offeror holds or has agreed to acquire not less than 90 per cent. of the Ordinary Shares, any holder of the Ordinary Shares to which such offer relates who has not accepted the offer can by written communication to the offeror require it to acquire those Ordinary Shares. The offeror would be required to give any Shareholder notice of his right to be bought out within one month of that right arising. If a Shareholder exercises its right to be bought out, the offeror is bound to acquire the relevant Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

15. Risk factors

Prior to investing in the Ordinary Shares, prospective investors should consider, together with the other information contained in this document, the factors and risks attaching to an investment in the Company including, in particular, the factors set out in the section entitled “Risk Factors” on pages 13 to 18 of this document.

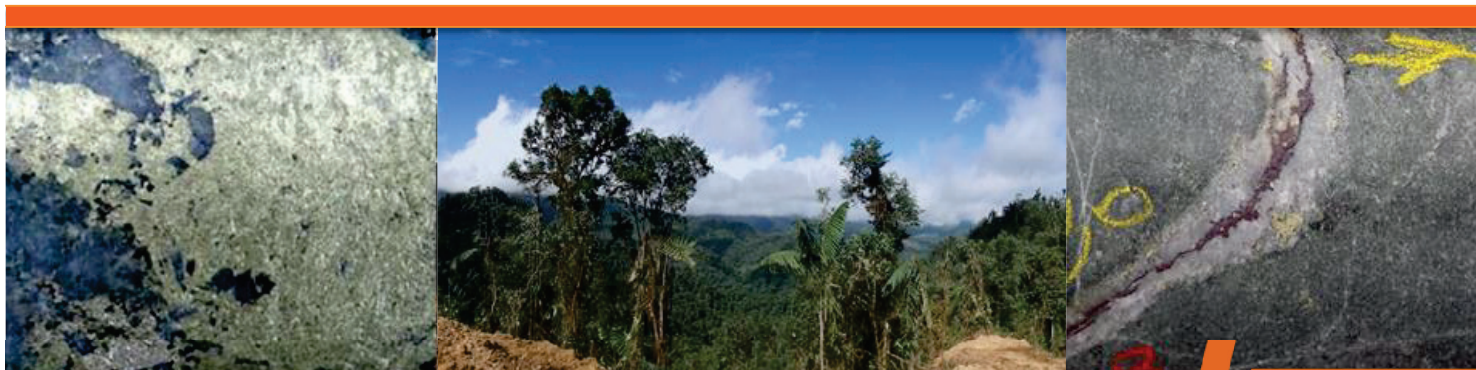
16. Further information

Your attention is also drawn to the remaining parts of this document which contains further information on the Company.

PART II

COMPETENT PERSON'S REPORT

A COMPETENT PERSON'S REPORT ON THE CASCABEL PROJECT, ECUADOR



Prepared for
SolGold PLC

Report prepared by



SRK Exploration Services Ltd
ES7684

Head Office

12 St Andrew's Crescent
Cardiff
CF10 3DD
United Kingdom

UK: +44 (0) 2920 233 233
Russia: +7 (0) 4955 454 413
Gabon: +241 (0) 173 0501

Email: enquiries@srkexploration.com

Web: www.srkexploration.com



SRK ES Legal Entity:	SRK Exploration Services Ltd
SRK ES Registered Address	21 Gold Tops Newport NP20 4PG
SRK ES Office Address:	12 St Andrew's Crescent Cardiff CF10 3DD
Date:	15/02/2017
Project Number:	ES7684
SRK ES Project Manager: James Gilbertson	Managing Director, SRK Exploration Services
Client Legal Entity:	SolGold PLC.
Client Address:	Level 27, 111 Eagle Street, Brisbane, Australia. website: www.solgold.com.au

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A COMPETENT PERSON'S REPORT ON THE CASCABEL PROJECT, ECUADOR – EXECUTIVE SUMMARY

1 INTRODUCTION

SolGold PLC, a Brisbane-based mineral exploration company operates the Cascabel Project through their 85% ownership of Exploraciones Novomining S.A. The Cascabel Project comprises a single licence of area 50km² in northern Ecuador. Within this licence exists the Alpala copper/gold porphyry which is at an advanced level of exploration. Alpala was discovered through a series of discovery trench/channel samples in the Alpala creek in 2012 followed by systematic soil geochemical and airborne geophysical surveys through 2013 and 2014.

Since September 2013 the Alpala cluster of porphyry centres has been subject to diamond core drilling which has resulted in significant economically mineralised intersections. A review of these intersections shows that drilling illustrates 3D continuity of mineralisation and that this mineralisation remains open in multiple directions.

2 GEOLOGY AND MINERALISATION

At the regional scale, the Cascabel Project lies within the composite terranes of the Western Tectonic Realm (WTR) of Ecuador and Colombia and within the Cordillera Occidental of northern Ecuador. In the vicinity of the Cascabel Project, the principal terrane boundary is the Cauca-Pujili fault system which forms the suture between the Romeral terrane and the Dagua-Pinon Terrane. This is a major fault system which comprises multiple strands; several of which pass near or through the Cascabel Project.

The magmatism in northern Ecuador and southern Colombia is characterised by the lack of a well-developed arc and with erratic pluton distribution. This suggests a low-angle subduction environment, conducive to compression and porphyry mineralisation.

Locally the Miocene Apuela Batholith hosts the Junín porphyry deposit and is likely intruded along the Toachi Fault. The geology of the Cascabel Project on the north side of the Toachi Fault comprises a series of relatively small to modest sized intrusive stocks. These stocks together with the abundance of andesitic pyroclastics, suggest that the relics of an andesitic stratovolcanic centre are preserved in and around the Cascabel Project, north of the Toachi Fault.

Exploration work has defined five principal rock types within the Cascabel Project: diorite, andesite, conglomerate, sediments and later colluvium. The Alpala group of porphyries are located to the south of the licence. Six phases of intrusion have been delineated on the basis of composition and relative timing-relationships with porphyry-related vein-stages. These Middle- to Late-Eocene hornblende-bearing intrusions are narrow tapering bodies which

comprise diorite, microdiorite and quartz diorite with multiple phases of mineralisation. The Alpala porphyries have a roughly northwest trend and appear to be centred between northwest-trending deep seated structures and northeast- and north-trending structural corridors which have been interpreted across the Cascabel Project area.

The porphyry-related vein types and paragenesis at Alpala indicate a systematic progression in time. The earliest formed sulphide mineral observed in drillcore consists of chalcopyrite in B-type veins. Chalcopyrite most commonly forms after, in C- and D-type veins, and surrounds cubic and massive pyrite. The bulk of the copper mineralisation is hosted within the B-veins with chalcopyrite-rich, C-type sulphide veins containing accessory bornite, which also contain significant amounts of metal and may be associated with elevated gold grades. There is a strong correlation between B-vein intensities and final assay grades which are highest within the pre-mineral diorite (D10) and syn-mineral quartz diorite (QD10) bodies. Raw assay statistics also highlight these two bodies as being the primary hosts. The 3D continuity of both the D10 and QD10 lithologies as well as B-vein intensities have been demonstrated through a programme of modelling from the results of the first 19 drillholes.

Other than the Alpala cluster, SolGold has identified five additional interpreted porphyry centres as primary exploration targets and a further three lower priority prospects. The most important of these are the Aguinaga target 1.3 km to the northwest of Alpala. This is characterised by a 500 m by 500 m airborne magnetic high surrounded by an annular magnetic-low. This geometry may be consistent with a porphyry system characterised by a central magnetic high related to an intrusive centre and a magnetite-destructive halo caused by pyritic phyllic/argillic alteration. B-vein style mineralisation here is exposed within a nine metre trench/channel grading 1.01% Cu, and 0.79 g/t Au.

3 DRILLING

SolGold commenced diamond drilling on 1 September 2013. Initial drilling focussed on intersecting the down-dip extension of outcropping sheeted and stockwork "B" type quartz veins in Alpala Creek.

This first phase of drilling involved 19 diamond core holes drilled over a 700 m by 250 m area. Drilling results have defined a north-westerly trending, steeply northeast-dipping, dyke-stockwork complex of diorite to quartz diorite that extends around 1300 m along strike. The first phase of drilling concluded on 31 May 2016.

Since drilling commenced, the best drill intercept reported by SolGold to date was 1312 m at 0.67% Cu and 0.63 g/t Au from a depth of 128 m below surface in drillhole CSD-15-012. This includes 576 m at 1.03% Cu and 1.19 g/t Au.

Due to the positioning of these first drillholes, many produced steep intersections into the Alpala deposit; this is not uncommon during early drilling of deposits with this type of morphology. The true width of the mineralisation at Alpala is not yet known and is being tested as part of further drilling.

Following a review and interpretation period, SolGold commenced with a second phase of drilling commencing on 18 October 2016. This second phase is targeting deeper zones of the Alpala body using longer, inclined holes in order to achieve better intersection angles.

From SRK ES's review during their technical site visit, the drilling at Alpala has been conducted in a professional manner using industry best practices and has produced core of sufficient quality and recovery to be used in a future Mineral Resource estimation.

4 SAMPLE PREPARATION AND ANALYSIS

The assaying of drillcore and channel samples collected during SolGold's exploration programmes have been performed by one of three laboratories; ACME, Vancouver, ALS Geochemistry, Lima and Met-Solve, British Columbia. Following their review of the sample preparation, sample and data security procedures and assaying employed by SolGold, SRK ES is of the opinion that they are consistent with industry best practices and suitable for a project at this level of exploration.

5 DATA VERIFICATION AND TECHNICAL SITE VISIT

SolGold conduct routine validation of sample results from drilling using standards, blanks and duplicate samples. SRK ES has assessed these results and is of the opinion that to date assay data for the drilling and sampling has appropriate accuracy and precision. SRK ES has recommended that the sample QAQC programme be expanded so that the insertion frequency is increased to approximately 15% and has suggested a number of amendments to the programme.

In accordance with National Instrument 43-101 guidelines, James Gilbertson and Fernando Saez from SRK ES and SRK Consulting (Peru) S.A. respectively, visited the Cascabel project on 13 June to 17 June 2016. SRK ES was given full access to relevant data and conducted interviews with SolGold personnel to obtain information on the past exploration work, to understand procedures used to collect, record, store and analyse historical and current exploration data. During this technical site visit SRK ES conducted a database validation which suggests that SolGold's approach is reasonable and appropriate. Notwithstanding this, SRK ES recommends that, as the project database grows, a more robust Access based data storage is employed to limit potential human transmission errors. SRK ES has also made a number of recommendations in relation to the approach to recording structural data employed by SolGold.

6 MINERAL RESOURCES AND RESERVES

The mineralised system at Alpala is considered by SolGold to be extensive and the system limits not yet been fully drill tested and assessed. As such SolGold has not yet published a Mineral Resource statement as they do not consider it appropriate to calculate a maiden resource estimate on the system until the entire mineralised system is adequately defined. Therefore, there are no defined Mineral Resources or Ore reserves for the project at this time.

7 MINERAL PROCESSING AND METALLURGICAL TESTING

Reflecting the current stage of development at the Cascabel Project, only a limited amount of metallurgical test work has been conducted. The three composite samples selected for analysis at Inspectorate Metallurgical Division (IMD) have all been sourced from a single drill hole, which has been drilled predominantly in diorite. However, based on the results received so far and IMD's summary of the testing, the overall metallurgy appears promising. SRK ES recommends that future test work should include a wider variety of representative rock types, mineralisation styles and mineralogy and should target improving grade-recovery.

8 2017-2018 EXPLORATION PHASE

Using SolGold's internal schedule and budget, SRK ES has outlined the current phase of exploration starting from the end of 2016 and taking the project up to the end of 2018. This phase will bring SolGold up to the next decision point. It will involve continued mapping, soil

and channel sampling, further airborne geophysics, topographical surveying and an additional 145,550m of core drilling. It should also include further metallurgical testing and Mineral Resource estimate.

During the proposed 2017/2018 exploration phase, 65 percent of the core drilling will be targeting Alpala. The man-portable drill rigs are scheduled to continue to define the mineralised body through sub-vertical drillholes, while the current Major Drilling tracked drill rig, as well as up to a further three tracked drill rigs, will conduct fan drilling through a series of deep holes and wedged splays on targeted levels on a 200 m vertical spacing.

Based on SolGold's internal schedule and budget, SRK ES has constructed a working budget from this phase of work which equates to US\$32.2M. It has been put together under a number of assumptions as well as actual contract quotes and costs. This has been reviewed by SRK ES and found to be reasonable.

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A COMPETENT PERSON'S REPORT ON THE CASCABEL PROJECT, ECUADOR

1 INTRODUCTION AND TERMS OF REFERENCE

SRK Exploration Limited ("SRK ES") has been requested by SolGold PLC. ("SolGold" or the "Company"), a mineral exploration and development company currently listed on the Alternative Investment Market (AIM) of the London Stock Exchange, to prepare a Competent Person's Report (CPR) on its 85% owned Cascabel Project (the Project).

This CPR has been structured following the Guidelines of the CIM (Canadian Institute of Mining, Metallurgy and Petroleum) reporting code, the National Instrument 43-101 and accompanying documents 43-101.F1 and 43-101.CP ("NI43-101")

The CIM reporting code is a national reporting organisation that is aligned with the Committee for Mineral Reserves International Reporting Standards ("CRIRSCO") who promote international best practise in the reporting of mineral exploration results, mineral resources and mineral reserves.

The Cascabel Project is an advanced stage exploration project, located in Ecuador. It is located 100 km north of the capital Quito.

1.1 Scope of Work

The scope of work, as defined in a letter of engagement executed on 9 December 2016 between SolGold and SRK ES includes the preparation of a Competent Person's technical report. This work typically involves the assessment of the following aspects of this project:

- Topography, landscape, access
- Regional and local geology
- Exploration history
- Audit of exploration work carried out on the project
- Geological modelling
- Recommendations for additional work

1.2 Work Programme

The exploration database has been compiled and maintained by SolGold and was reviewed by SRK ES. The 3D geological model and outlines for the porphyry mineralisation were constructed by SolGold with guidance from SRK ES from a two-dimensional geological interpretation. In the opinion of SRK ES, the geological model is a reasonable representation of the distribution of the targeted mineralisation at the current level of sampling.

The technical report was assembled in Cardiff during the month of December 2016

1.3 Basis of Technical Report

This report is based on information collected by SRK ES during a site visit performed between 13 June to 17 June 2016 and on additional information provided by SolGold throughout the course of SRK ES's investigations. SRK ES has no reason to doubt the reliability of the information provided by SolGold. Other information was obtained from the public domain. This technical report is based on the following sources of information:

- Discussions with SolGold personnel
- Inspection of the Cascabel Project area, including outcrop and drill core
- Review of exploration data collected by SolGold
- Additional information from public domain sources

1.4 Qualifications of SRK ES

The SRK Group comprises of more than 1,400 professionals, offering expertise in a wide range of resource engineering disciplines. The independence of the SRK Group is ensured by the fact that it holds no equity in any project it investigates and that its ownership rests solely with its staff. These facts permit SRK ES to provide its clients with conflict-free and objective recommendations. SRK ES has a proven track record in undertaking independent assessments of mineral resources and mineral reserves, project evaluations and audits, technical reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies, and financial institutions worldwide. Through its work with a large number of major international mining companies, the SRK Group has established a reputation for providing valuable consultancy services to the global mining industry.

This technical report was completed by James Gilbertson CGeol (Chartered Geologist, Geological Society of London). Mr Gilbertson is Managing Director of SRK Exploration Services Limited, and Principal Consultant with over 16 years' experience in mineral exploration, resource estimation and mineral project evaluation. He holds a BSc Hons in Geology from Durham University and a MSc in Mining Geology from Camborne School of Mines. The report was reviewed by Alexandra Akyurek, CSci MIMMM (Chartered Scientist and Professional Member of the Institute of Materials Minerals and Mining).

Both Mr Gilbertson and Mrs Akyurek hold at least five years' relevant experience in the estimation, assessment and evaluation of porphyry style deposits. Further, by virtue of their education, membership to a recognized professional association and relevant work experience, Mrs Akyurek and Mr Gilbertson are independent Qualified Persons or Competent Persons as this term is defined by National Instrument 43-101 of JORC 2012.

1.5 Site Visit

In accordance with international best practices, James Gilbertson and Fernando Saez of SRK Consulting (Peru) S.A., (SRK Peru), visited the Cascabel Project on 13 June to 17 June 2016 accompanied by Benn Whistler of SolGold.

The purpose of the site visit was to review the digitisation of the exploration database and validation procedures, review exploration procedures, define geological modelling procedures, examine drill core, interview project personnel, and collect all relevant information for the preparation of a revised mineral resource model and the compilation of a technical report. During the visit, a particular attention was given to the treatment and validation of historical drilling data.

The site visit was also aimed at investigating the geological and structural controls on the distribution of the gold mineralisation in order to aid the construction of three dimensional gold mineralisation domains.

SRK ES was given full access to relevant data and conducted interviews with SolGold personnel to obtain information on the past exploration work, to understand procedures used to collect, record, store and analyse historical and current exploration data.

1.6 **Acknowledgement**

SRK ES would like to acknowledge the support and collaboration provided by SolGold personnel for this assignment. Their collaboration was greatly appreciated and instrumental to the success of this project.

1.7 **Declaration**

SRK ES' opinion contained herein and effective as of 24th December 2016, is based on information collected by SRK ES throughout the course of its investigations, which in turn reflect various technical and economic conditions at the time of writing. Given the nature of the mining business, these conditions can change significantly over relatively short periods of time. Consequently, actual results may be significantly more or less favourable.

SRK ES has confirmed that the data reported herein are within the licence boundaries given below. SRK ES has not, however, conducted any legal due diligence on the ownership of the licences themselves.

SRK ES has not undertaken any detailed investigations into the legal status of the project nor any potential environmental issues and liabilities the project may have at this stage.

SRK ES is not aware of any other information that would materially impact on the findings and conclusions of the report. SRK ES was informed by SolGold that there are no known litigations potentially affecting the Cascabel Project.

This report may include technical information that requires subsequent calculations to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, SRK ES does not consider them to be material.

SRK ES is not an insider, associate or an affiliate of SolGold, and neither SRK ES nor any affiliate has acted as advisor to SolGold, its subsidiaries or its affiliates in connection with this project. The results of the technical review by SRK ES are not dependent on any prior agreements concerning the conclusions to be reached, nor are there any undisclosed understandings concerning any future business dealings.

2 RELIANCE ON OTHER EXPERTS

SRK ES's opinion is based on information provided to SRK ES by SolGold and their consultants and associates. SRK ES was reliant upon such information and, where possible, SRK ES has verified the data provided independently and completed a site visit to review physical evidence for the deposit.

SolGold contracted the services of Dr Steve Garwin, as their Chief Technical Advisor, to provide expert direction in the identification of the mineralisation systems at Alpala, and the implementation of detailed mapping and core logging strategies. His input covers the local and deposit scale geology as well as providing advice into the 3D modelling of the deposit. Steve has worked in the exploration industry for over 28 years and is considered an authority on porphyry, epithermal and Carlin-style mineralization in the circum-Pacific region and is suitably experienced in methods of structural geology and geochemistry towards gold and base-metals exploration.

Inspectorate Metallurgical Division (IMD) was contracted by SolGold to conduct initial metallurgical testing from Alpala core in August 2014. SRK ES have relied on the results and recommendations provided by IMD following this test work in Section 12 of this report.

Some of the reports used by SRK ES in the creation of this technical report are authored by persons who are not recognised as independent Qualified Persons as this term is defined by National Instrument 43-101. In this case SRK ES has relied upon the professional measures used by the companies who completed the work. The information in those reports is assumed to be accurate based on the data review conducted by the author.

SRK ES has not performed an independent verification of land title and tenure information as summarized in Section 3 of this report. SRK ES did not verify the legality of any underlying agreement(s) that may exist concerning the licences or other agreement(s) between third parties, but has relied on Xavier Rosal of Corral Rosales Carmigniani Perez CRCP as legal advisor to SolGold. The reliance applies solely to the legal status of the rights disclosed in Sections 3 below.

SRK ES was informed by SolGold that there are no known litigations potentially affecting the Cascabel Project.

3 PROPERTY DESCRIPTION AND LOCATION

3.1 Location

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 project lies approximately 20 km south of the Colombia-Ecuador border, and 75 km southeast of San Lorenzo, located on Ecuador's pacific coast.

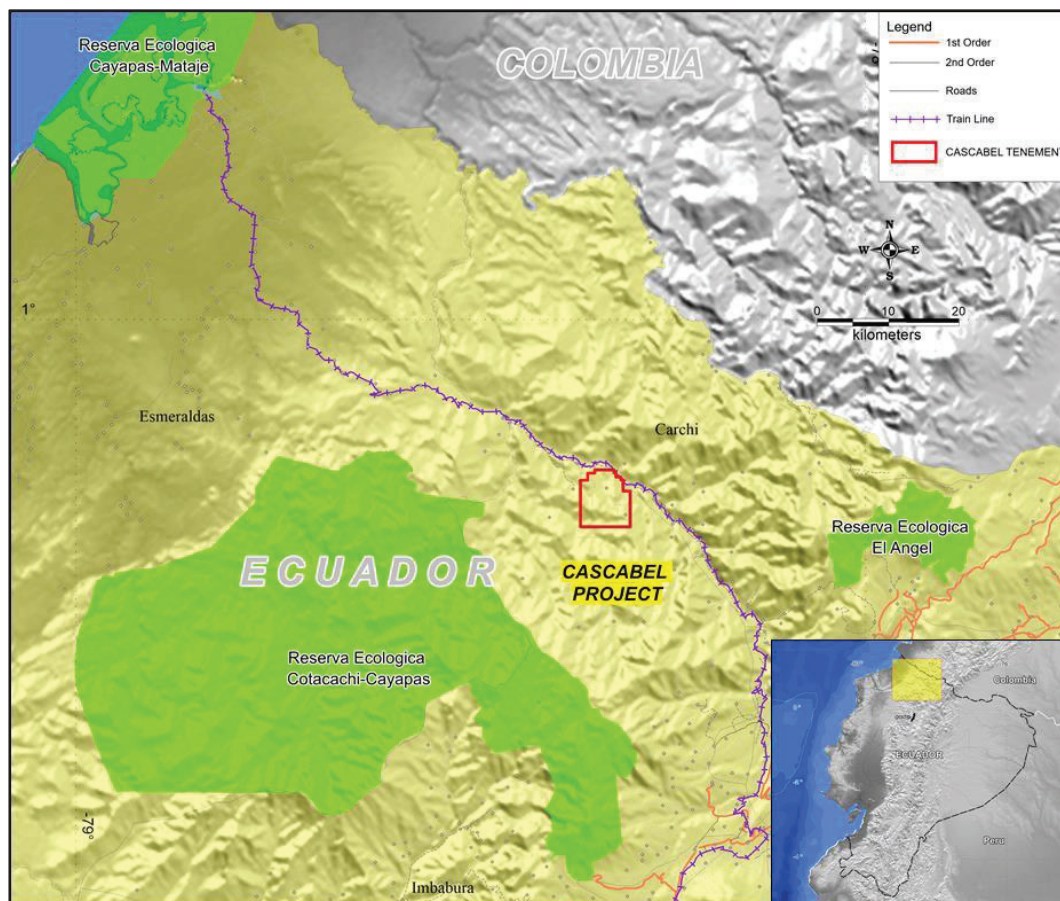


Figure 3-1 Location of the Cascabel Project within Northern Ecuador (Source: SolGold, 2016)

3.2 Mineral Tenure

As of June 2016, the licence has an area of 50 km², consisting of a single licence (Claim ID 402288). The UTM PSAD56, Zone 17 South coordinates are provided in Table 3-1.

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 Santa Barbara Resources Ltd. on 12 January 2007, and was subsequently sold to Cornerstone Capital Resources Ltd in July 2011 via a subsidiary, to Exploraciones Novomining S.A (ENSA). In May 2012, SolGold Plc entered into a Joint Venture with Cornerstone to explore the Cascabel licence. Exploraciones Novomining S.A., is currently jointly owned by SolGold (85%) and Cornerstone Capital Resources (15%). The current licence was granted in March 2011 and is valid for 25 years.

Table 3-1 Cascabel Licence Boundary Coordinates

Point	Coordinates (UTM PSAD56)	
	X	Y
1	799000	10090000
2	799000	10089000
3	800000	10089000
4	800000	10087000
5	801000	10087000
6	801000	10082000
7	794000	10082000
8	794000	10088500
9	795000	10088500
10	795000	10089500
11	796000	10089500
12	796000	10090000

3.3 Underlying Agreements

SRK ES understand that as part of the sale of the property by Santa Barbara Resources Ltd in 2012, an option to purchase 2% of the Net Smelter Return (NSR) has been retained by the seller. This option allows for the purchase of 1% NSR for US\$1,000,000 within three months of the completion of a Bankable Feasibility report, and a further 1% NSR for US\$3,000,000 within three months of a decision made by the owners to mine the projects. Since the dissolution of Santa Barbara Resources in 2015, this option has been held by an agent.

3.4 Licences and Authorisations

According to SolGold, no additional licences beyond the granted Mining Licence and Environmental Licence are required to undertake exploration within the Cascabel licence.

3.5 Environmental Considerations

Exploration and mining activities in Ecuador are subject to provisions of the Mining Act, 2009. According to the Mining Act, the holders of mining licences 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 Project. According to the Environmental Regulation for Mining Activities, the required environmental studies are:

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

SRK ES has not carried out any legal due diligence relating to the Environmental Licence. SRK ES is not aware of any environmental liabilities on the property

3.6 Mineral Rights in Ecuador

Mining in Ecuador is mainly governed by the Mining Act ("MA"), issued on January 29, 2009 and the General Regulation of the Mining Act ("GRMA"), issued on November 16, 2009, which regulates activity as a whole. The MA and GRMA recognise, regulate, and classify mining activities depending on production levels, namely: large-scale mining; medium-scale mining; small-scale mining; and artisanal mining.

To conduct exploration in Ecuador, a mining licence must be granted by the Ministry of Mining and registered with the respective mining registry managed by the Agency for Regulation and Control of Mining ("ARCOM" (Agencia de Regulacion y Control Minero)). 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 four-year term, which is identified as the initial exploration period and governed by Article 6.

The holder of the licence is entitled to request a further four-year period from the Ministry of Mines, under Article 7, to proceed with advanced exploration. At this point, part of the exploration licence will be relinquished, although there is no legislated minimum area to be dropped. The Ministry will process this application provided the company 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.

Other aspects of the Mining Act that are considered to be pertinent are described as follows:

Regarding taxation and royalties – Mining companies are subject to a Windfall Tax (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:

- Income Tax – 22% of profits
- 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)
- Value Added Tax – 14%
- Municipal taxes and contributions, social security contributions
- 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 is 4% and 3%

respectively, while artisanal mining is not subject to royalties.

Regarding surface rights – 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 constructions 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 licence 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.

4 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

4.1 Accessibility

The Cascabel Project is easily accessible from Quito, the Capital. International flights regularly arrive and depart from Quito airport from major carriers including KLM, American and Lufthansa. From Quito the Project is accessible by good 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 project camp at Rocafuerte is roughly 3.5 hours.

Access to the main exploration prospects within the Cascabel licence is via a series of 4x4 accessible tracks and hiking trails from the main highway just outside the towns of San Pedro and Rocafuerte (Figure 4-1). The distance from Rocafuerte to the Alpala camp is approximately 12 km and takes 1 hour on dirt tracks.

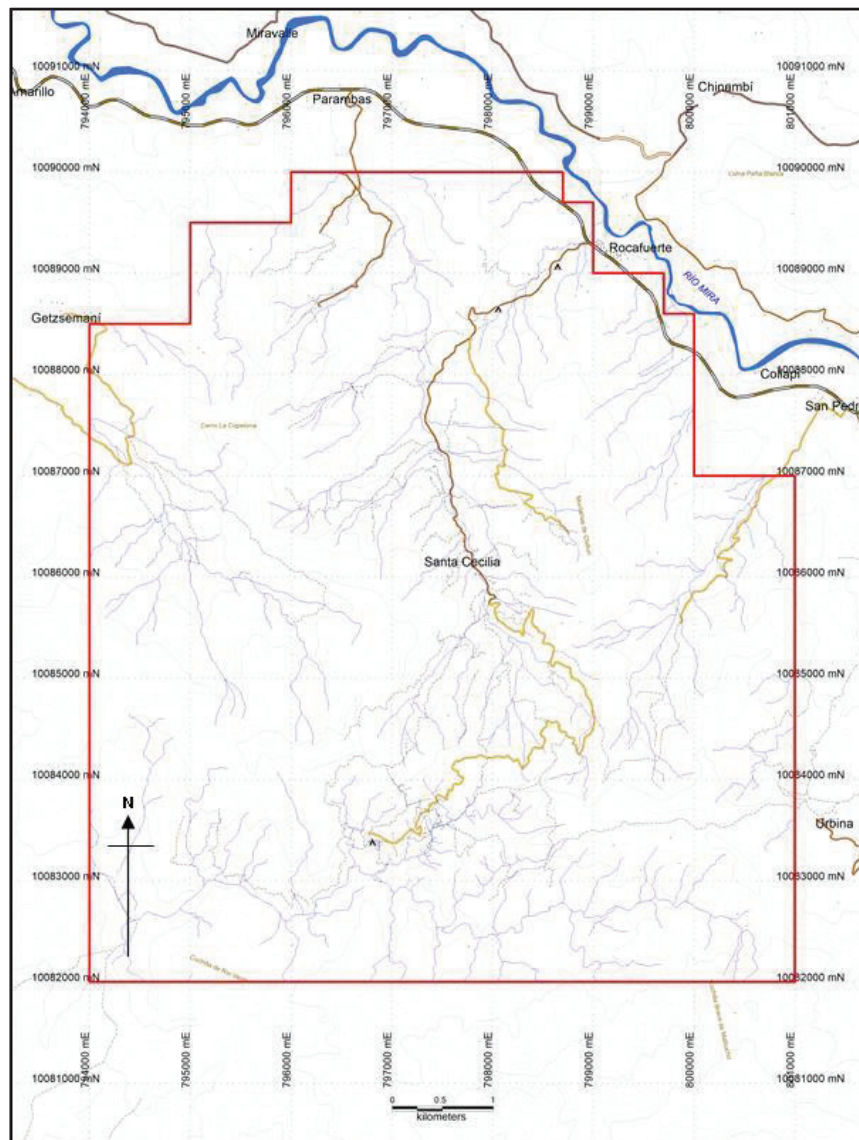


Figure 4-1 Major Access Roads and Tracks for the Cascabel Project, (Source: SolGold, 2016)

4.2 Local Resources and Infrastructure

The property is largely undeveloped, containing only two small settlements, Santa Cecilia and Urbina.

Infrastructure in the region and throughout Ecuador is generally good, with road access, power and water all readily available in the local area. A major highway (Highway E10) connecting 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, Figure 4-2.

Power generation in Ecuador is dominated by hydro-electric, with 18 power plants across the state. Currently eight 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 hydro-electric site is located at Carolinas to the south east of the licence (Figure 4-2). Its current design capacity is unknown.

Local labour is available from Rocafuerte and surrounding settlements. Other services and goods can be procured from Ibarra or directly from Quito

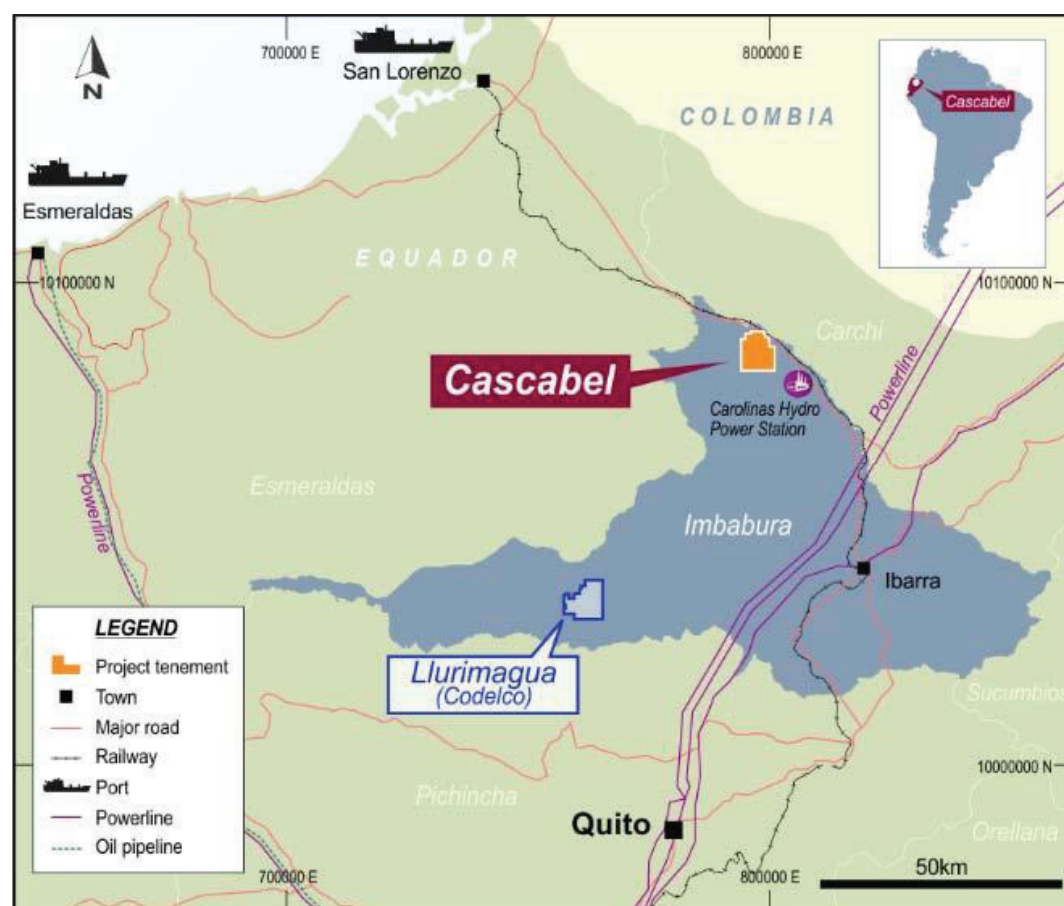


Figure 4-2 Local Infrastructure in the Vicinity of the Cascabel Project, (Source: SolGold, 2016)

4.3 Climate

The climate in the mountainous regions of Ecuador is typically cooler than in other parts of the country due to the altitude of between 1000 m to 2,100 m. Daily temperatures are around 18°C (65°F), and nightly temperatures around 9°C (50°F), with little seasonal variation (Weatherbase,

2015).

There is one defined rainy-season, with April being the wettest month and a dry season between July and September. Average monthly rainfall is 17 mm and 41 mm in the dry and wet seasons respectively (Weatherbase, 2015).

Highest average rainfall is between February and May. This provides some challenges for access for fieldwork.

4.4 Physiography

Ecuador comprises three main physical regions: The Costa (coastal region), the Sierra (highland region) and the Oriente (eastern region). A central graben called the inter-Andean graben effectively divides the Sierra region into the Cordillera Real (Eastern Cordillera) and the Cordillera Occidental (Western Cordillera). The Cascabel Project lies within the Cordillera Occidental of northern Ecuador.

The topography of the project area is moderate to steep (Figure 4-3) with elevations rising from 750 to 2,100 m above sea level. The rugged terrain is incised by four large drainage complexes. Vegetation is tropical forest with a well-developed soil horizon.



Figure 4-3 Typical Landscape in the Cascabel Project Area (Source: SRK ES, 2016)

5 HISTORY

5.1 Introduction

In preparing these sections of this report relating to background and historical information, exploration and geological setting, SRK ES has relied upon information provided by SolGold.

5.1.1 Noroccidente Project (1980 - 1984)

The first exploration undertaken over the Cascabel Project was through an initiative of the General Director of Geology and Mines (DGGM) called the Noroccidente Project. The project targeted the mineral resources in the northern provinces of Carchi, part of Esmeraldas and Imbabura. 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 Au, Ag, Cu, Zn and Pb. This work identified 10 anomalies (one being 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 (part of Cascabel) and to expand regional exploration (DGGM, 1980). The Cascabel project was originally named the Parambas Project.

5.1.2 Belgian Cooperation Project (1984 - 1985)

A cooperative agreement between the Belgian Mission and the Ecuadorian Institute of Mining (INEMIN, ex-DGGM) resulted in geological, geochemical and geophysical investigations being carried out for VMS (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.

5.1.3 Western Cordillera I (1986)

Through an agreement between INEMIN (ex-DGGM) and the Rio Tinto Zinc Corporation (RTZ), selected samples collected from previously determined anomalies (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 with Belgium.

Some exploration and sampling to the west of Junín (outside the current Cascabel licence area) was undertaken where additional samples were collected for analysis by RTZ. A database was compiled containing 9120 samples (INEMIN, 1990).

5.1.4 Lumina Gold Corp (Formally Odin Mining and Exploration Ltd). (1988-1991)

Lumina Gold Corp conducted limited stream sediment sampling in the Cascabel licence area. Anomalous Cu, Pb, Zn, and Ag results were obtained in an area controlled by mainly propylitic alteration. Despite this, Odin did not continue its work and the licence was returned to the Ecuadorian State (Silva and Rosero, 2011).

5.1.5 Japan International Cooperation Agency (1991-1997)

Detailed exploration studies were conducted by the Japan International Cooperation Agency - Metal Mining Agency of Japan (JICA-MMAJ) in Junín area adjacent to the Cascabel licence and discovered porphyries that intrude the Apuela batholith.

They concluded that the mineralisation is associated with zones of sericitic alteration and facies of

granodioritic porphyries. Using the available geological data, preliminary mineral resource calculations were made for Junín which indicated 318 Mt of copper with an average grade of 0.71% copper and 0.026% molybdenum using a 0.4% copper cut-off grade. The Cascabel licence is regionally in the same belt of mineralisation (JICA, 1998).

5.1.6 **Western Cordillera II (1998 - 2000)**

Under the Mining Development and Environmental Control Project (PRODEMINCA) along the Western Cordillera, the Government of Ecuador collected 15,175 stream sediment samples. Samples were analysed using 38 elements ICP. 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 licence, within the framework of this 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 mineralisation may be related to the volcanic activity of the San Juan de Lachas Unit (Boland et al., 2000).

5.1.7 **Santa Barbara Copper & Gold SA (2008 - 2011)**

The private company Santa Bárbara Copper and Gold S.A. (SBCG) applied for the Cascabel licence from the Ecuadorian State, along with other licences and in 2008, submitted an environmental impact study to the Ministry of the Environment. Stream silt surveys and other prospecting identified widespread geochemical anomalism.

5.1.8 **Cornerstone Capital Resource (2011 – 2012)**

Cornerstone Capital Resources (Cornerstone) through a subsidiary Exploraciones Novomining SA (ENSA) purchased the property 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, Cristal and Cachaco catchments, and discovered porphyry-related stockwork veins in the Alpala, Moran, Tandayama and America creeks.

In May 2012, SolGold Plc entered into a Joint Venture with Cornerstone to explore the Cascabel licence.

6 GEOLOGICAL SETTING AND MINERALISATION

6.1 Regional Geology

The accretionary terranes around the Cascabel licence are considered to hold significant potential for hosting economic porphyry systems due to the combination of terrane accretion and compressional tectonics, shallow subduction, crustal scale sutures and calc-alkaline magmatism.

At the regional scale, the Cascabel Project lies within the Western Tectonic Realm (WTR) of Ecuador and Colombia according to Cedral *et al.* (2003) and within the Cordillera Occidental of northern Ecuador. The Western Tectonic Realm of Ecuador and Colombia comprises the three composite terrane assemblages: PAT (Pacific assemblage), CHO (Choco arc) and CAT (Caribbean terranes) as shown in Figure 6-1. Within the Pacific composite terrane assemblage (PAT) there are three terranes, from east to west: RO (Romeral), DAP (Dagua-Pinon) and GOR (Gorgona) terranes. The Dagua-Pinon terrane (DAP) is correlated with the Pinon and Macuchi terranes of western Ecuador.

Complete characterization of the terranes of the WTR, including their exact boundaries and times of collision with the continent, is not well known. However, all litho-tectonic terranes of the WTR contain fragments of Pacific oceanic plateaus, aseismic ridges, intra-oceanic island arcs and/or ophiolites. All terranes were developed in or on oceanic basement and all are allochthonous with respect to continental South America.

In the PAT (Pacific assemblage), the Romeral (RO) terrane contains ultramafic complexes, ophiolite sequences and oceanic sediments of probable Jurassic to early Cretaceous age. The Romeral terrane is traced southward into Ecuador where it underlies the western margin of the Cordillera Real and much of the Inter-Andean depression beneath extensive Miocene, Pliocene and Recent volcanic cover.

To the west of the Romeral terrane, the Dagua-Pinon terrane, hosting the Cascabel Project is dominated by basaltic rocks of tholeiitic MORB affinity, and sequences of flyschoid siliciclastic sediments (including chert, siltstone and greywacke). These are thought to be accreted fragments of oceanic crust, aseismic ridges and oceanic plateaus. Several I-type calc-alkaline batholiths and plutons ranging from tonalitic to granodioritic composition and of Palaeocene to Miocene age intrude the Dagua-Pinon (DAP) terrane along its entire length (Cedral *et al.*, 2003). These are the plutons that are responsible for porphyry mineralisation within the Dagua-Pinon terrane, and host the Junín and Cascabel porphyry deposits.

The Gorgona terrane (GOR – Figure 3) lies further west, mostly offshore. It comprises a more recently accreted oceanic plateau.

The tectonic building blocks that comprise this northwest margin of South America are bound by north-northeast-trending crustal-scale faults or sutures. Strike-slip structures are the dominant structural pattern. In the vicinity of the Cascabel Project, the principal terrane boundary is the Cauca-Pujili fault system which forms the suture between the Romeral terrane and the Dagua-Pinon terrane. This is a major fault system which in detail comprises several strands; several of which pass near or through the Cascabel Project (e.g. the Toachi Fault). In Colombia, the Cauca fault system is well exposed for much of its length, and where its kinematics are that of a dextral strike-slip fault. The fault is poorly exposed in northern Ecuador due to Pliocene and Quaternary volcanic and sedimentary cover in the Inter-Andean depression, however, the presence of ophiolite (i.e. obducted oceanic crust) along the extension of this fault zone (i.e. the Pujili Fault) southwest of Quito attests to its role as a major terrane suture. In northern Ecuador the Cauca Fault is referred to as the Pujili Fault.

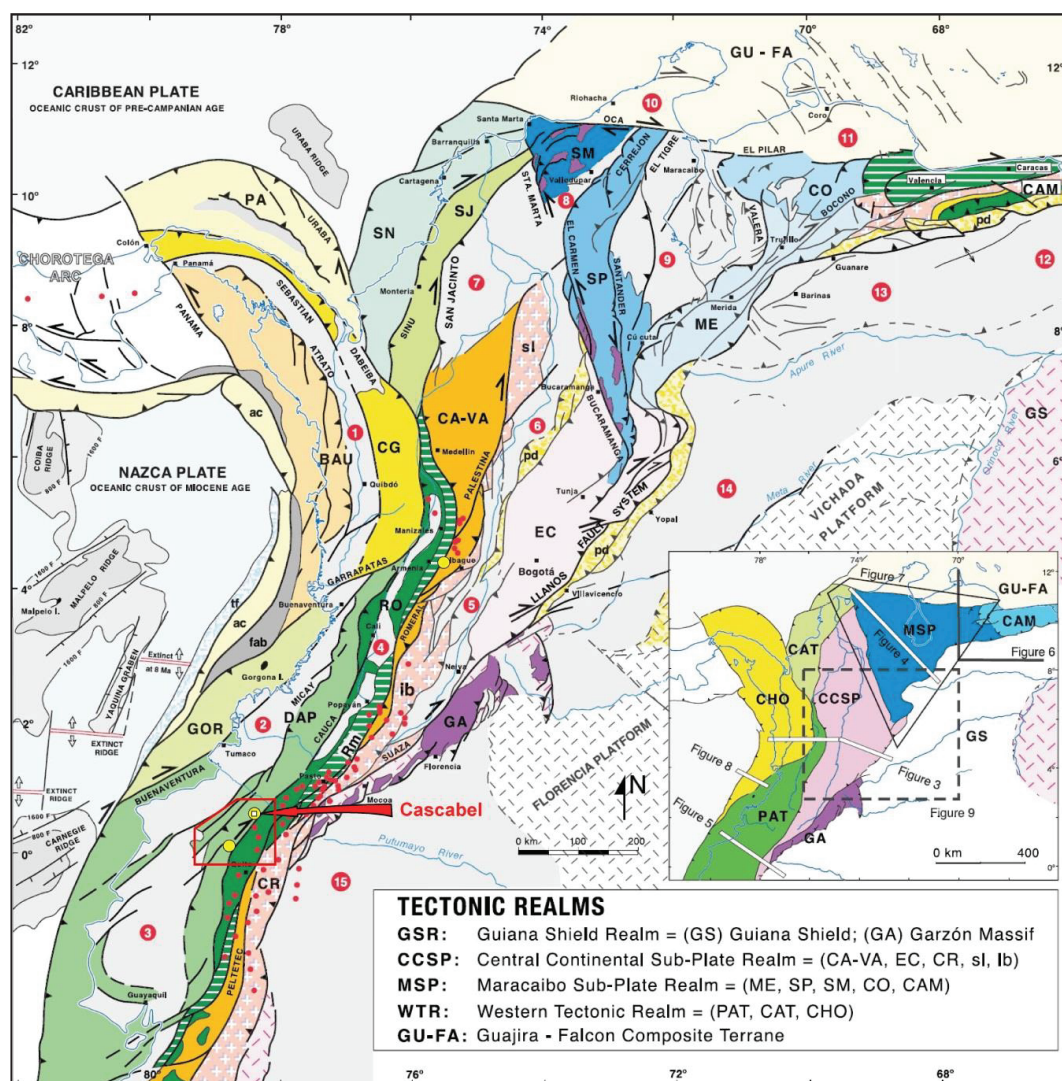


Figure 6-1 Regional Tectonic Elements of Northern Ecuador and Colombia (Source: Rohrlach 2012)

Subduction-related calc-alkaline magmatism of tonalitic to quartz dioritic composition affected the Dagua-Pinon terrane between 44 Ma and 13 Ma (Piedrancha, Rio Santiago, Apuela, Anchicaya Batholiths and the Arboledus Stock), as well as the Romeral Terrane (Suarez, Piedrasentada and San Cristobal Plutons in southern Colombia). This magmatism in northern Ecuador and southern Colombia is characterised by the lack of a well-developed arc and with erratic pluton distribution. This suggests a low-angle subduction environment, conducive to compression and porphyry mineralisation. There is a general eastward migration of magmatic focus from the Dagua-Pinon terrane to the Romeral terrane, suggesting final approach of the Gorgona oceanic plateau as subduction progressively shallowed due to the increasingly buoyant nature of crust entering the subduction zone.

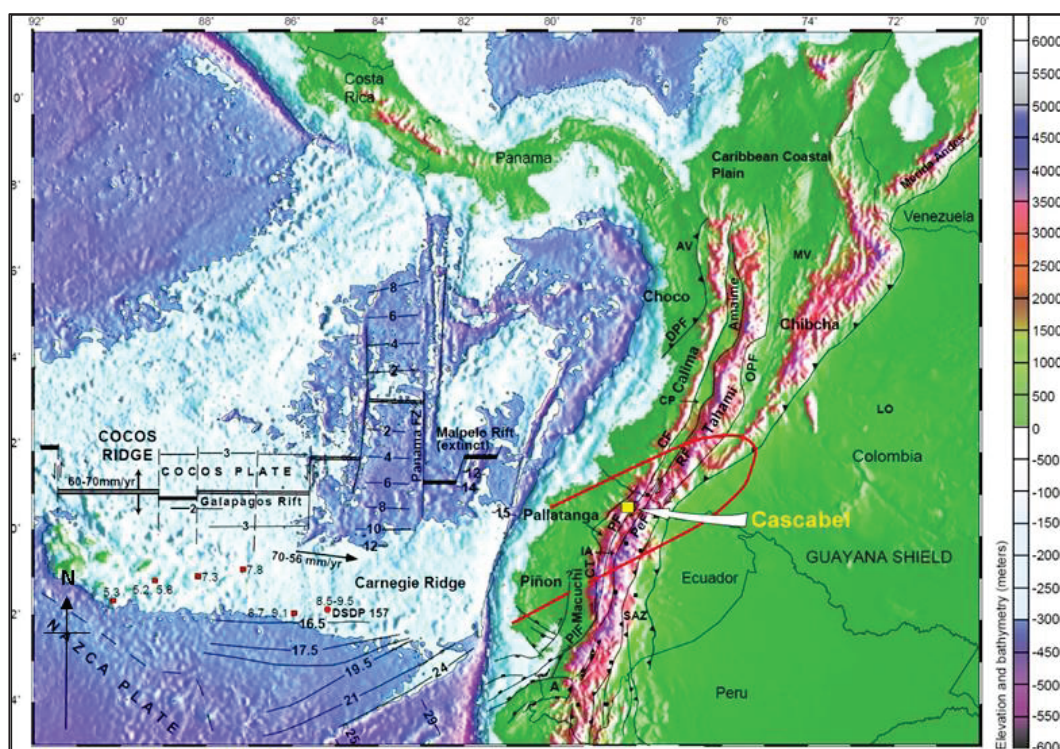


Figure 6-2 Regional Tectonic Elements of Colombia and Northern Ecuador Showing the Eastern, Central and Western Cordilleras of Colombia and the Eastern and Western Cordilleras of Ecuador and the Subducting Carnegie Ridge (Source: Rohrlach 2012)

The red line highlights the postulated subducted extent of the flat-lying, buoyant Carnegie Ridge (from Gutscher et al., 1999). Faults: CF – Cauca Fault; CT – Chibo-Toachi shear zone; PF – Pujili Fault; RF – Romeral Fault. Other abbrev: CP - Cauca-Patia Valley; IA – Inter-Andean Valley; MV – Magdalena valley.

In addition to the long history of transpressive compression in the Cascabel region as recorded by the docking of the Romeral, Dagua-Pinon and Gorgona terranes, more recent cause for ongoing tectonic compression (an important requirement for forming porphyry systems) is the shallow buoyant subduction of the Carnegie Ridge (post 8 Ma), whose eastward subducted projection is interpreted by Gutscher et al. (2003) to extend beneath the Ecuador-Colombia border and underlie the area of the Cascabel Project (Figure 6-2).

6.2 Local Geology

Figure 6-3 illustrates the geology of the region around and southwest of Cascabel. 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 (Figure 6-3).

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 shown in Figure 6-3 is believed to be of Cretaceous age and may have been emplaced in the Dagua-Pinon terrane prior to its docking against the mainland. In contrast, the Apuela Batholith (which hosts the Junín porphyry deposit) is

of younger (Miocene) age, and the intrusive complexes south of Cascabel, and at Chical, are also interpreted to be Miocene age (Figure 6-3), an important time for porphyry formation in Ecuador. 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) (Sillitoe, 1982).

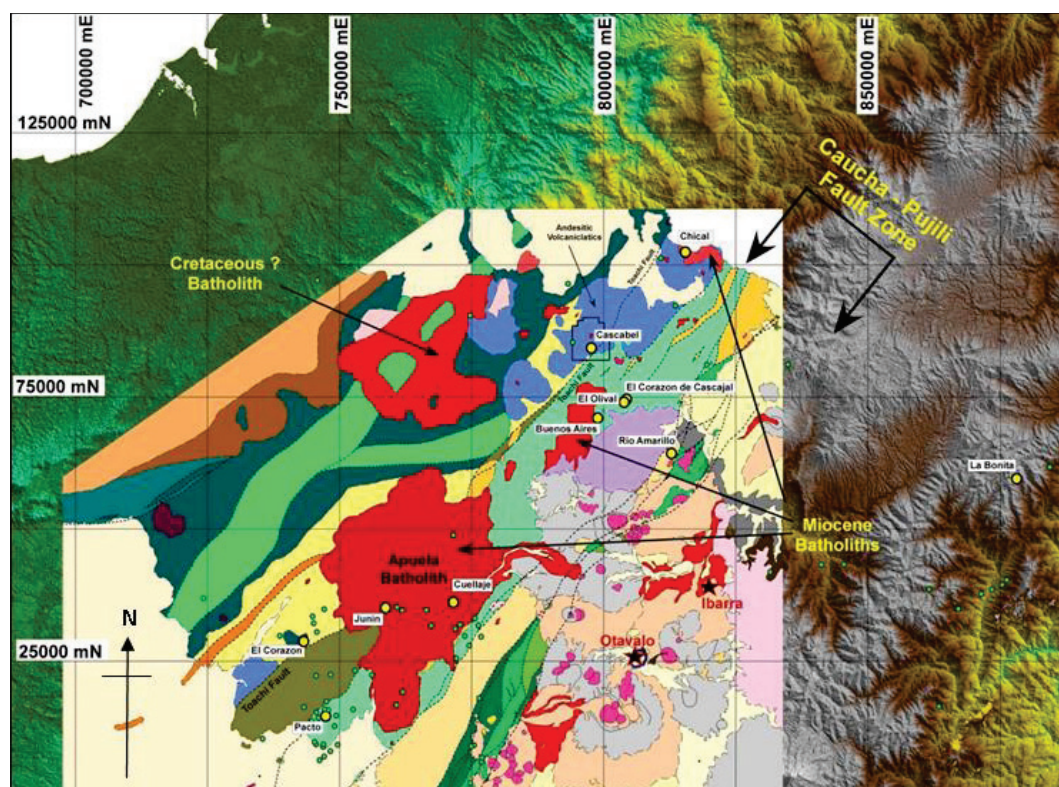


Figure 6-3 Regional Geology Around and Southwest of the Cascabel Licence. (Source: Rohrlach 2012)

The regional administrative centres of Otavalo and Ibarra are shown by the black stars. Intrusive sequences west of the Cauca-Pujili Fault Zone are shown by the red colours. The more significant deposits are shown by the yellow circles, with other mineral occurrences and prospects shown by green circles.

The Apuela Batholith sits astride the Toachi fault and likely intruded along the fault plane (Figure 6-3). 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 in the region are:

- Junín - Empresa Nacional Minera del Ecuador (Enami): Porphyry Cu-Mo (318 Mt @ 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 (Graves, 2012).
- Pacto - 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 – Skeena Resources (50%): Epithermal Au, Ag, Cu vein system and siliceous hydrothermal breccias (6.4 Mt @1.7 g/t Au).
- Rio Amarillo: Au, Ag, Cu occurrence related to epithermal veins and porphyritic intrusions. A Cu skarn is reported at Rio Amarillo (Graves 2012).

The Cascabel Project lies within an area of andesitic volcanoclastics which suggest that an andesitic volcanic centre occurred somewhere proximal to Cascabel. This is corroborated by the principal host sequence mapped by Cornerstone which comprises andesitic volcanoclastic. The geology of the Cascabel Project on the north side of the Toachi Fault comprises a series of relatively small to modest size stocks. These smaller stocks together with the abundance of andesitic pyroclastics, suggest that the relics of an andesitic stratovolcanic centre are preserved in and around the Cascabel Project, north of the Toachi Fault. In contrast, to the south of the Toachi Fault, the intrusives are more extensive and this suggests that a deeper level of erosion has exposed this batholith at deeper levels.

These observations suggest that there may be a differential level of erosion to the north and south of the Toachi Fault.

Structural mapping by Cornerstone at Cascabel as well as interpretation by Rohrlach of more regional DEM (Digital Elevation Model) data within the 5 km Area Of Interest (AOI), reveal a series of four major northwest-trending faults.

These second-order northwest-trending structures are likely to exhibit important controls on mineralisation both at Cascabel, where they control the northwest-trending zone of argillic alteration, and also further south where regional stream sediment Au anomalism appears to be crudely controlled by northwest-trending structures. Third-order NNW-trending structures may also play an important role in localising mineralisation

6.3 Deposit Geology

6.3.1 Introduction

Exploration work has defined five principal rock types within the Cascabel Project that have been mapped at regional scale by Cornerstone and SolGold geologists. These are diorite, andesite, conglomerate, sediments and later colluvium, Figure 6-4.

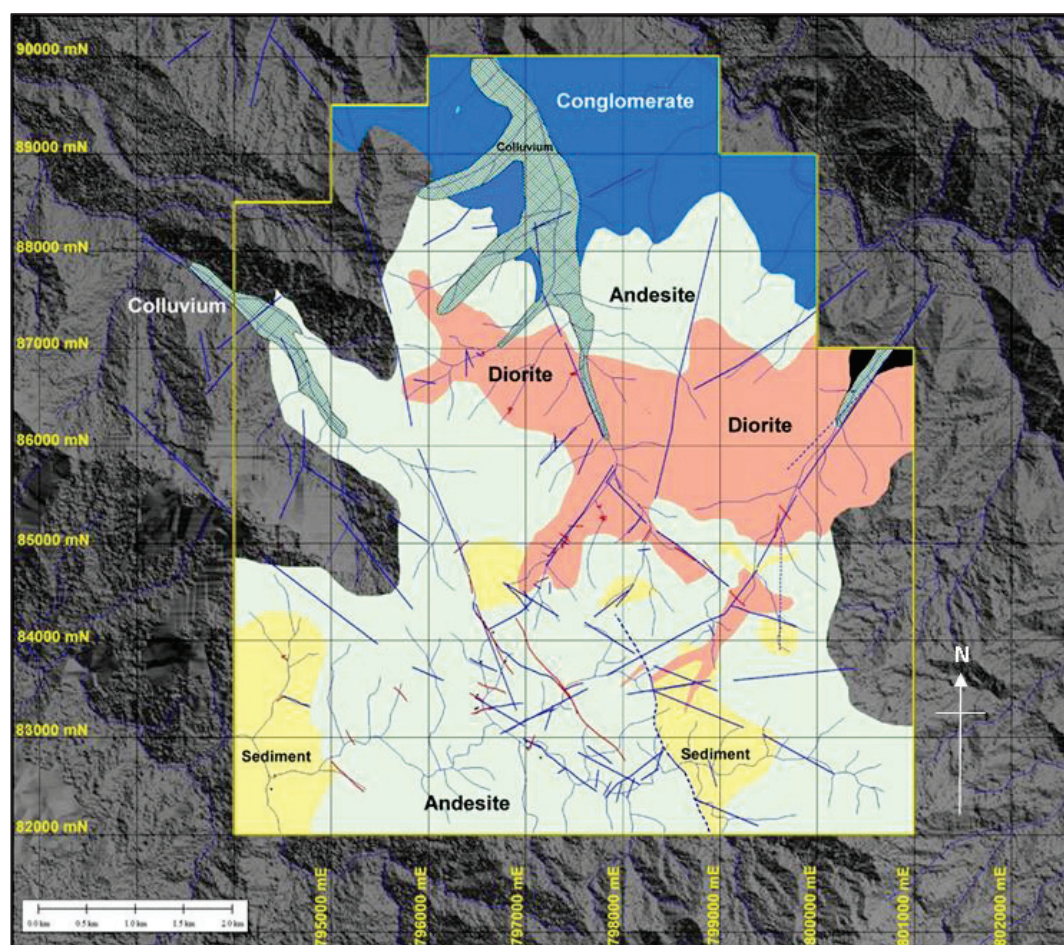


Figure 6-4 Geology of the Cascabel Licence, (Source: SolGold, 2014)

SolGold's exploration has been focussed on six main porphyry targets within the Cascabel licence defined from both airborne magnetic (geophysical highs) and soil geochemical surveys (molybdenum and copper:zinc enrichment, and manganese depletion), Figure 6-5 and Figure 6-6. A further three lower priority prospects exist within the Cascabel.

These prospects are:

Priority Prospects

Alpala (Cluster including Central, Northwest Southeast and Cristal)
 Aguinaga
 Moran
 Trivino
 America-Tandayama
 Carmen

2nd Priority Prospects

Alpala West
 Chinambicito
 Parambas

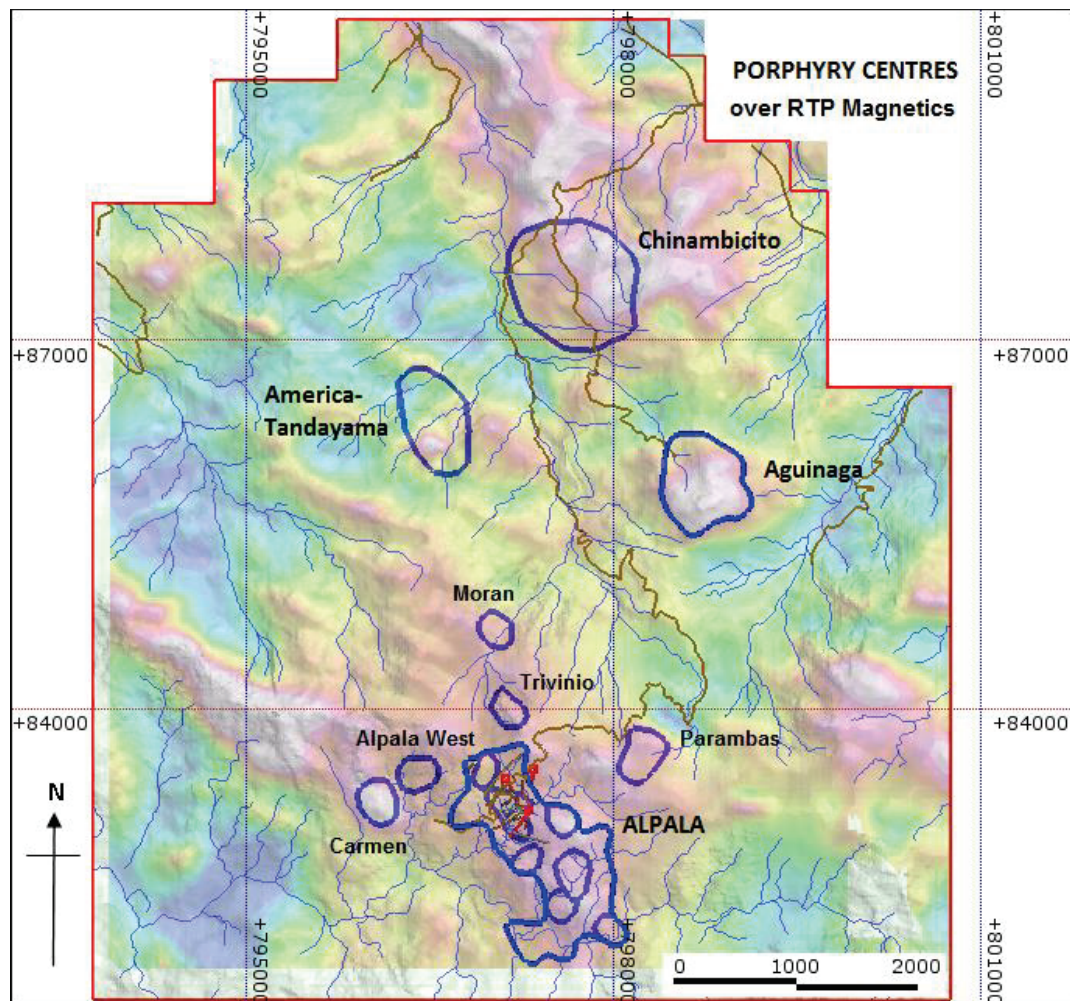


Figure 6-5 Key Interpreted Porphyry Prospects Identified by SolGold over RTP Magnetics Background, (Source: SolGold)

The deposit geology has primarily been defined within these prospects although the Alpala group and Aguinaga are the furthest advanced.

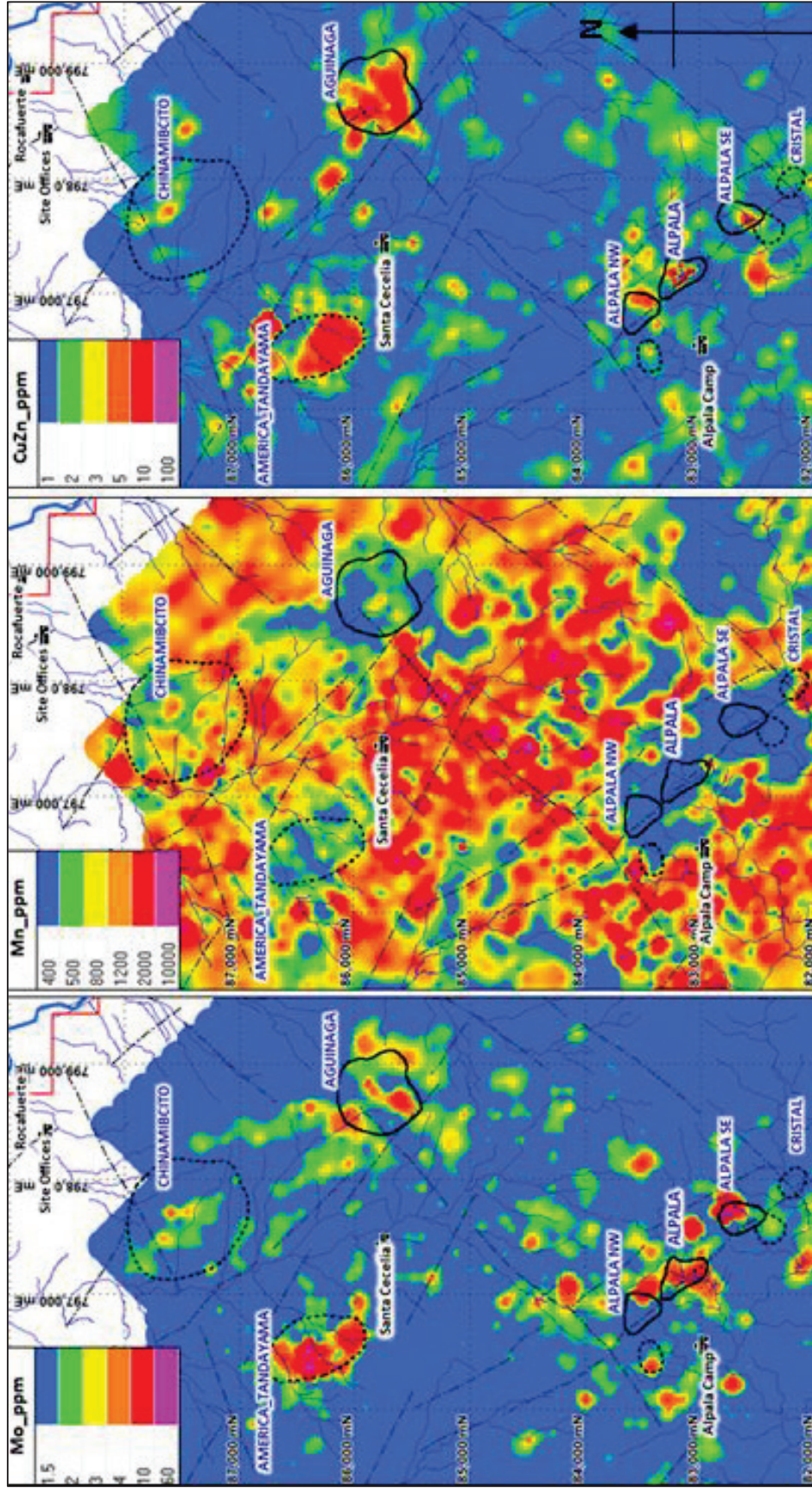


Figure 6-6 Priority Prospects at Cascabel and their Association with Molybdenum, Manganese and Copper/Zinc Ratio Soil Geochemical Anomalism (Source: SolGold)

6.3.2 Alpala Group of Prospects

The Alpala group is a roughly northwest trending porphyry cluster located to the south of the licence and has been the primary focus for exploration under SolGold and has hosted all the drilling to date, Figure 6-7. Almost all exploration here has targeted Alpala Central with the Alpala Northwest and Alpala Southeast targets providing strike extensions to this elongated mineralised body. Drilling to date over a 900 m by 400 m area has defined a north-westerly-trending, steeply northeast-dipping dyke-stock complex of diorite to quartz diorite that exceeds 1300 m in height.

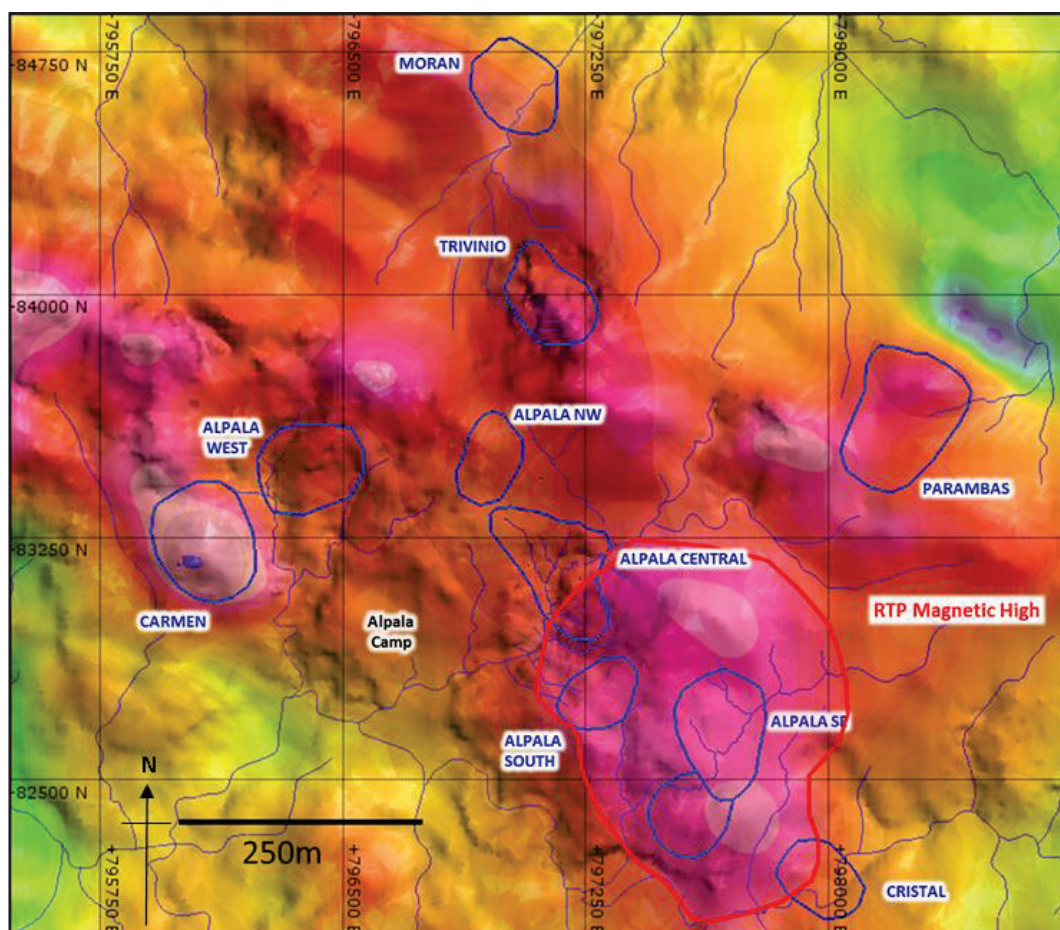


Figure 6-7 Location of the Alpala Group of Prospects over RTP Magnetics Background (Source: SolGold)

Lithology

The geometry of the various lithologies and intrusive bodies at Alpala is now quite well understood and has been modelled from the completed drilling demonstrating 3D continuity. A total of six phases of intrusion are delineated on the basis of composition and relative timing-relationships with porphyry-related vein-stages, Table 6-1. A series of later stage post mineralisation barren intrusions have also been identified. This intrusive complex is hosted by a sequence of andesitic volcanoclastic rocks and lavas. The host-rocks are interpreted to be part of the Palaeocene to Late Eocene Macuchi Formation (BGS-CODIGEM, 1997; Cruz, 2007).

Table 6-1 Relative Timing of the Volcanics and Six Intrusive Phases Identified at Alpala

Lithology	V	D10	D10	D15	QD15	D20	QD20
Vein Chronology	Pre-A	Post-A	Post-A	Post-A Pre-B1	Post-B1	Post-C	Post-B Pre-C/D
Relative Timing	0	1	2	3	4	5	6
Intrusive Phase	San Juan Del Lucas Volcanics	Sub-porphyrific fine-med Diorite	Porphyritic Diorite	Fine grained Diorite	Porphyritic Diorite	Porphyritic Diorite	Porphyritic Qz-Diorite
Alteration	Intermediate argillic to argillic	Intermediate and argillic potassic/epidote-propylitic	Intermediate argillic potassic	Intermediate argillic and potassic/epidote-propylitic	Intermediate argillic and phyllic	Intermediate argillic and strong potassic	Intermediate argillic and phyllic
Veining	All vein types	AB, abundant B1, lesser B3	AB, abundant B1, lesser B2	Presence of D, occasional B1 and B2	No B1 only B2	No B veins abundant D	No B veins abundant D

These equigranular to sub-porphyrific, hornblende-bearing intrusions are narrow, taper upwards and consist of pre- to early-mineralisation diorite to microdiorite and quartz diorite; intra-mineralisation diorite and quartz diorite; and late-mineralisation dykes of diorite and quartz diorite. Radiometric U-Pb SHRIMP dates on zircons return 39.4 ± 0.6 Ma (2σ) for the early mineralisation quartz diorite intrusion and 38.7 ± 0.6 Ma (2σ) for a late-mineralisation dyke (Armstrong, 2015 and 2016), which lies near the boundary of the Middle- to Late-Eocene.

Post mineralisation intrusions are mostly tonalities with large plagioclase and hornblende phenocrysts and are barren of any associated quartz veining.

The near surface veining has been sampled and described from the rock-saw trenching programme conducted by SolGold.

SolGold, with assistance from SRK ES and SRK Peru, has conducted a modelling programme in Leapfrog software for the pre-mineral diorite (D10), syn-mineral quartz diorite (QD10) bodies and the interpreted brecciation zone within the volcanics from the Phase 1 drilling, Figure 6-8. This has been conducted to demonstrate the 3D continuity of these mineralised units, for use in future drill planning and ultimately a maiden Mineral Resource estimate.

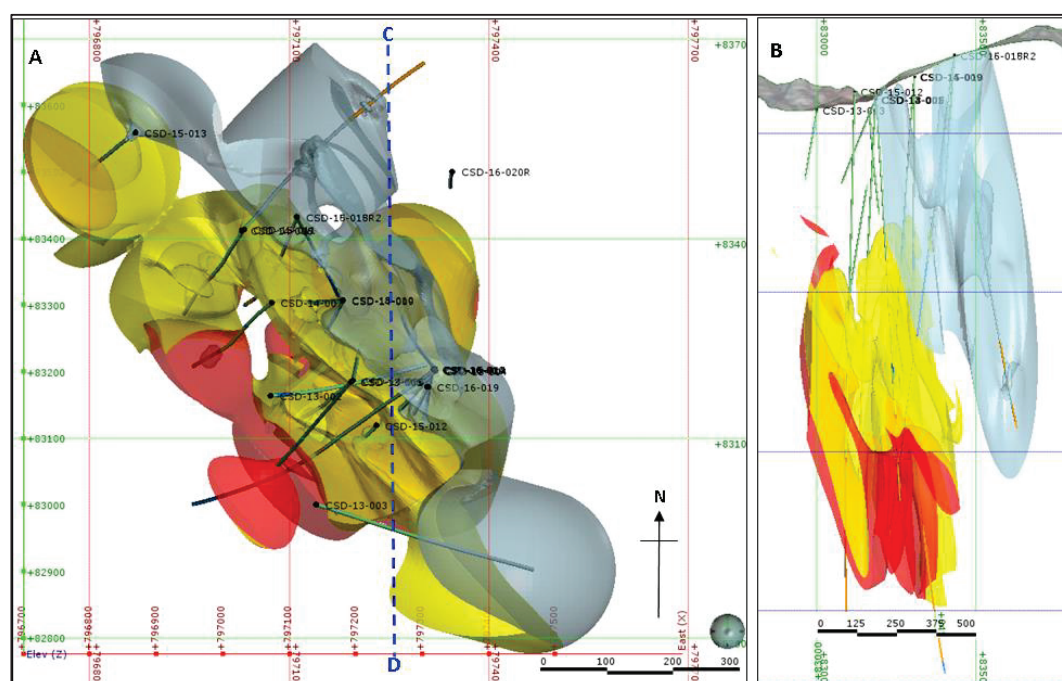


Figure 6-8 Alpala Lithology Wireframe Model Illustrating the Main Mineralised Bodies (Source: SRK ES, 2016)

A – Plan view, B – Cross section looking west along C-D

Yellow = D10 diorite intrusion, Red = QD10 Quartz diorite intrusion, Grey = Breccia/Sheeted vein zone within the overlying volcanics

The D10 and QD10 bodies exist as inter-fingered steeply dipping tongue-shaped intrusions that taper upwards. This Leapfrog based modelling has also demonstrated that the interpretations of the D10 and QD10 bodies remain open in all directions providing reasonable potential that further drilling will expand their extent.

Porphyry-Related Veining

The porphyry-related vein types and paragenesis at Alpala indicate a systematic progression in time and have been described by SolGold using the nomenclature originated by Gustafson and

Hunt (1975) as follows and illustrated in Figure 6-9 and Figure 6-10:

- Early-stage, minor and wavy AB-type quartz veins deficient in sulphide minerals are followed by magnetite (M) veinlets.
- Planar and through-going, B-type quartz veins cross-cut the early vein types and consist of quartz-magnetite-chalcopryrite. At least two stages of B-type veins are recognised at Alpala, with magnetite more abundant in early B1 veins and chalcopryrite more common in the later B2 veins. The B-type veins contain the majority of the copper and gold in the deposit.
- Chalcopryrite-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.
- D-type veins with quartz-sericite-pyrite selvages contain chalcopryrite, minor bornite and locally, molybdenite. Many of the later vein stages exploit and re-open earlier vein stages. A Re-Os date on molybdenite in a D-type vein that cuts a late-mineralisation diorite dike indicates 38.6 ± 0.2 Ma (2σ).

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 haematite 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, (Garwin *et al* 2017).

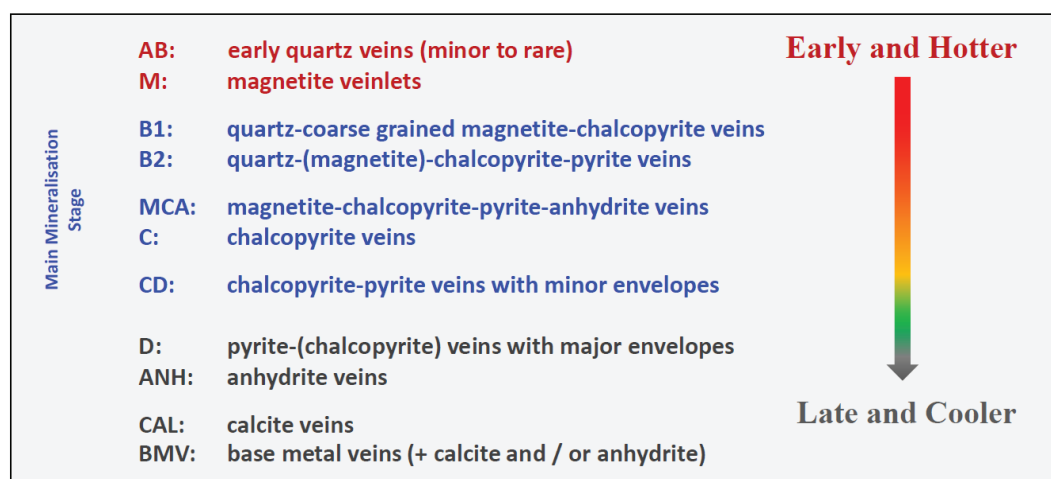


Figure 6-9 Paragenesis of the Porphyry-Related Vein Types Observed at Alpala

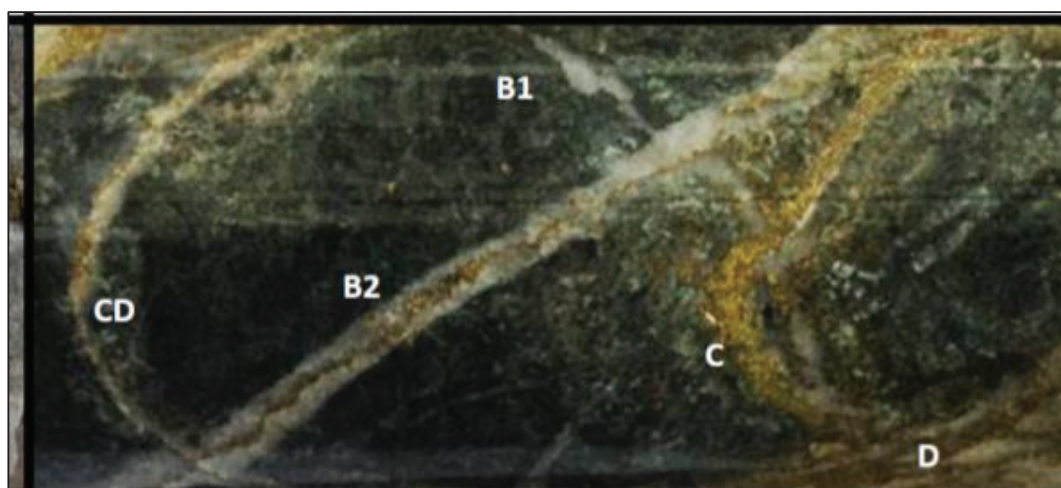


Figure 6-10 Example Cross Cutting Relationships Observed in Alpala Core (SolGold, 2014)

B1 cut by B2, cut by C cut by CD cut by D vein

Alteration

The best observed alteration can be seen in the surface trenches conducted by SolGold. Here vein densities are sufficiently high that the sericitic (illitic) vein selvages merge and result in the entire rock mass being argillic-altered, completely overprinting precursor chlorite or epidote that may have characterised any high temperature propylitic alteration. The exposures of stockwork veins are strongly oxidised at surface, although relic sulphides are observed in some samples.

In core, 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 anhydrite is a common vein constituent as it is deposited over a wide range of temperatures and re-opens earlier vein stages.

Spectral analysis on surface samples has defined a number of surface pyrophyllite and dickite centres within kaolinite and paragonite halos across the Alpala group, Figure 6-11. However, in general, whilst alteration is recorded during drill core logging, the three dimensional distribution of the alteration assemblages and their association with the observed mineralisation is still poorly understood. SolGold is hopeful that a unified alteration model can be defined following further drilling.

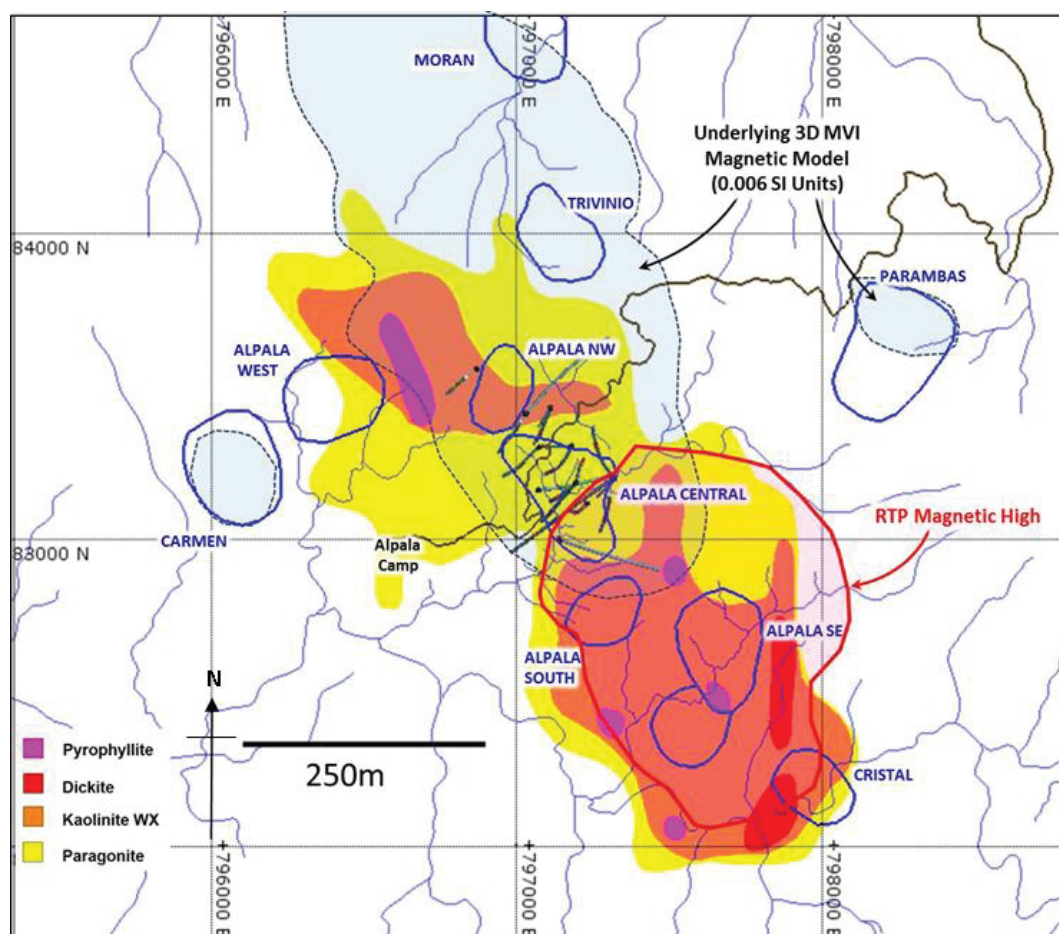


Figure 6-11 Surface Alteration Expression Across the Alpala Group (Source: SolGold, 2016)

Mineralisation

Mineralisation is seen across the six main intrusive bodies and the porphyry-related vein types to a varying degree. The earliest formed sulphide 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 suggests that these later-stage veins formed at a lower temperature and a higher sulphidation state than chalcopyrite in early-stage B-type veins (Einaudi *et al.*, 2003).

The bulk of the copper mineralisation is hosted within the B-veins (Figure 6-12), with chalcopyrite-rich, C-type sulphide veins containing accessory bornite, which also contain significant amounts of metal and may be associated with elevated gold grades.

These vein intensities are recorded by SolGold during core logging and allow for the correlation with the final assay grades (Figure 6-13). Using predefined regular ranges the correlation appears to be very strong until around 2.5% Cu thereby illustrating the importance of B-veins to the mineralising system and how B-vein intensities can be used as an analogy for the mineralisation boundaries.



Figure 6-12 Example of B-Vein from Alpala Phase 1 Core (Source: SRK ES)

A = B-veins seen in cut core from CSD-14-009, 781 m to 786 m

B = Close up of B-veins observed in CSC-16-016, 961 m

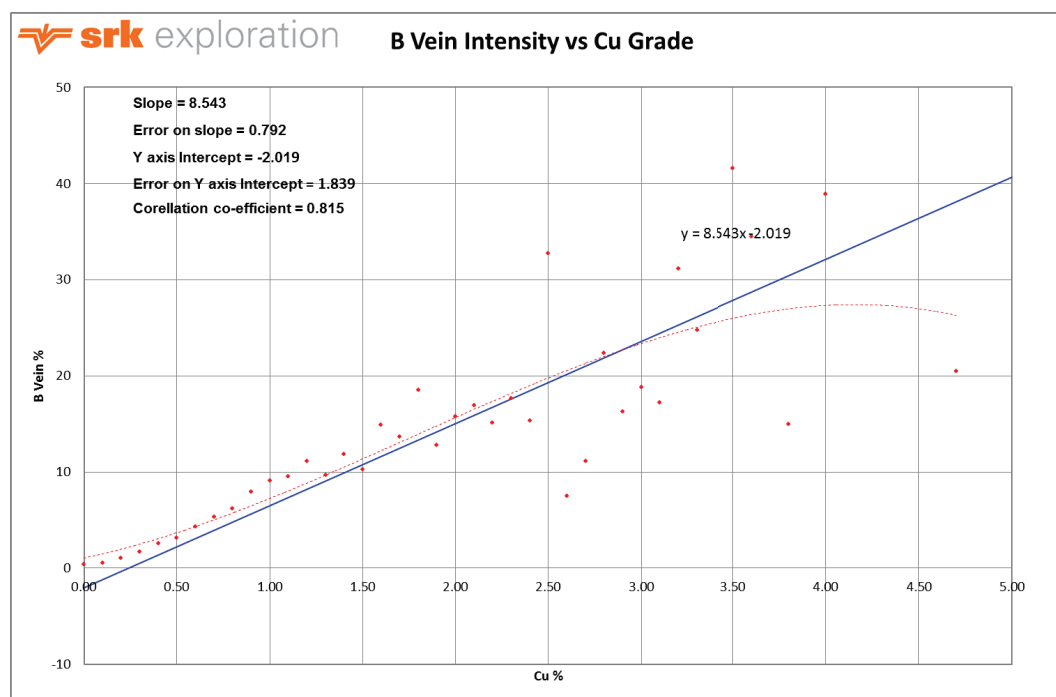


Figure 6-13 Correlation Statistics between B-Vein Intensities and Final Cu Assay Grades from Phase 1 Drilling (Source: SRK ES, 2016)

As with the mineralized lithologies, these B-vein intensities, taken from Phase 1 drilling results, have also been modelled within Leapfrog software to aid in further understanding of the distribution of the intrusive and mineralisation systems at Alpala, Figure 6-14.

Based upon the correlation shown in Figure 6-13 and seen from core inspection, this modelling provides further 3D continuity of the mineralisation at Alpala.

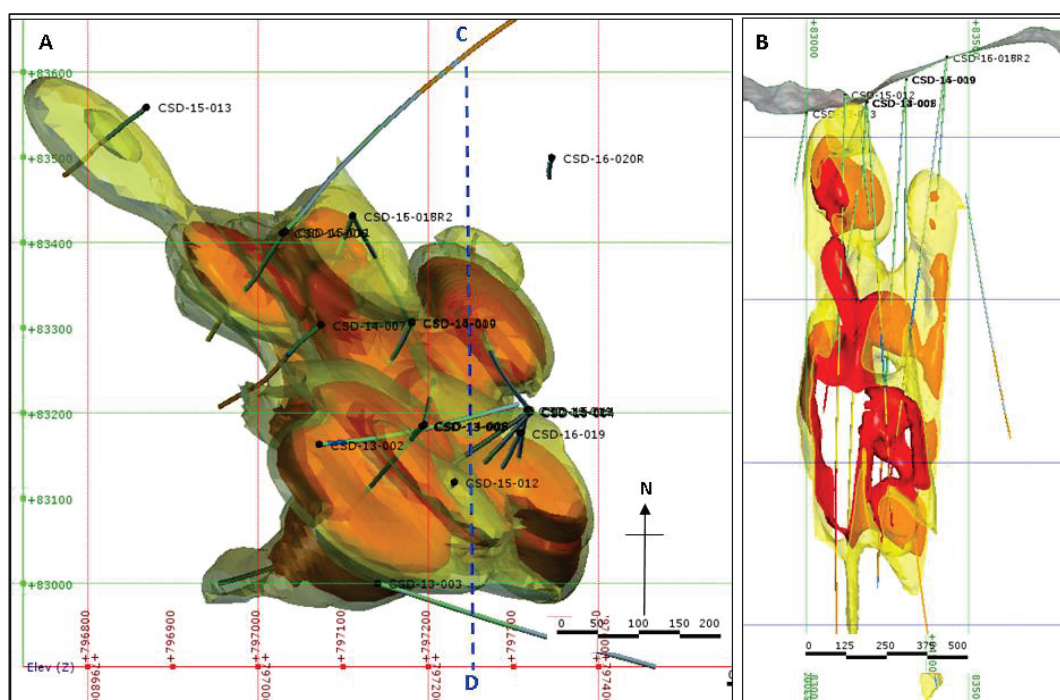


Figure 6-14 Alpala B-Vein Intensity Wireframe Model (Source: SRK ES, 2016)

A – Plan view, B – Cross section looking west along C-D

B-Vein intensities = yellow = >2%; red = > 5%

The raw assay data statistics from the Phase 1 drilling are illustrated within the copper and gold box plots in Figure 6-15 and Figure 6-16. These highlight that the main hosts for mineralisation are the pre-mineral diorite (D10) and syn-mineral quartz diorite (QD10) bodies with marginal grades also experienced in the intra-mineral diorite (QD15) and intra-mineral diorite (D15) intrusives. There also exists a strong correlation between copper and gold grades which reiterates the importance of the QD10 and D10 intrusions as the primary host for mineralisation at Alpala, Figure 6-17.

These grade are of economic levels and their distributions and correlations illustrate the distinction between the six main intrusive bodies and when coupled with the B-vein intensities, provide robust initial grade domains for use in future drill planning and Mineral Resource estimation.

Cascabel - SolGold

Raw Data

Boxplot CU (pct) by Lith

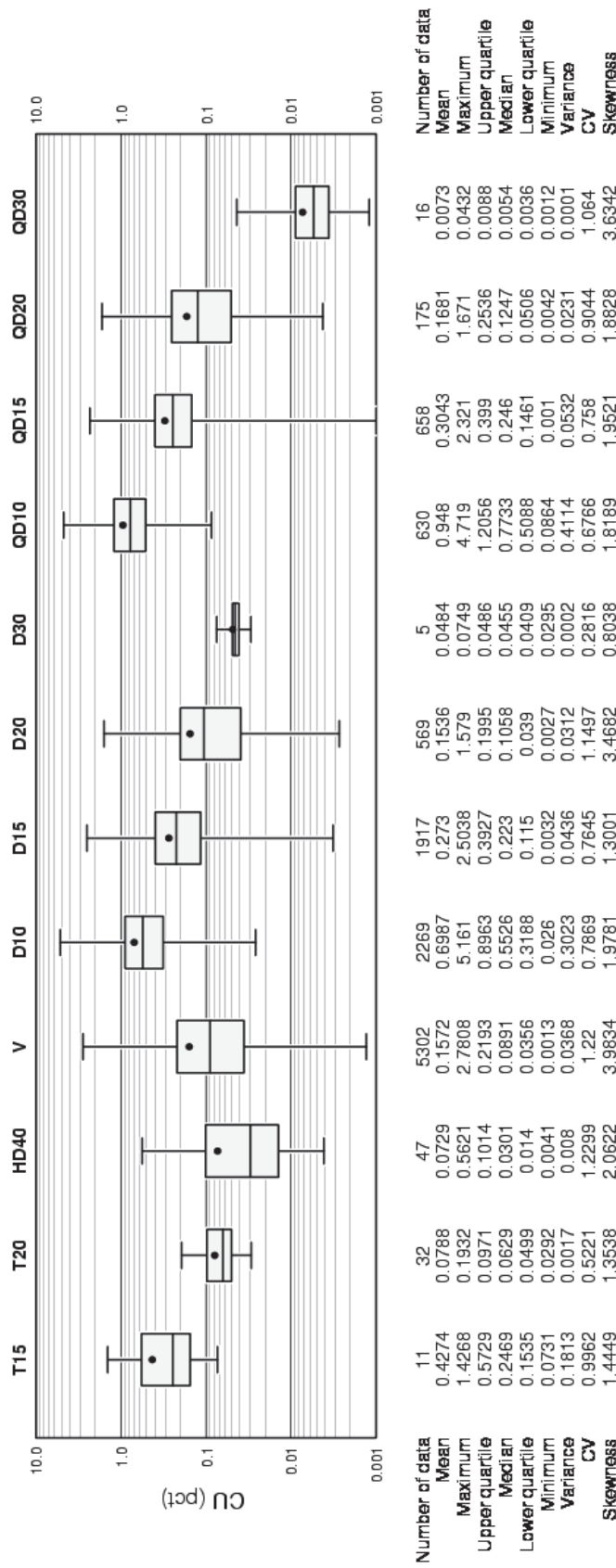


Figure 6-15 Phase 1 Drilling Cu Boxplot by Lithology (Source: SRK ES, 2016)

Cascabel - SolGold

Raw Data

Boxplot AU (gpt) by Lith

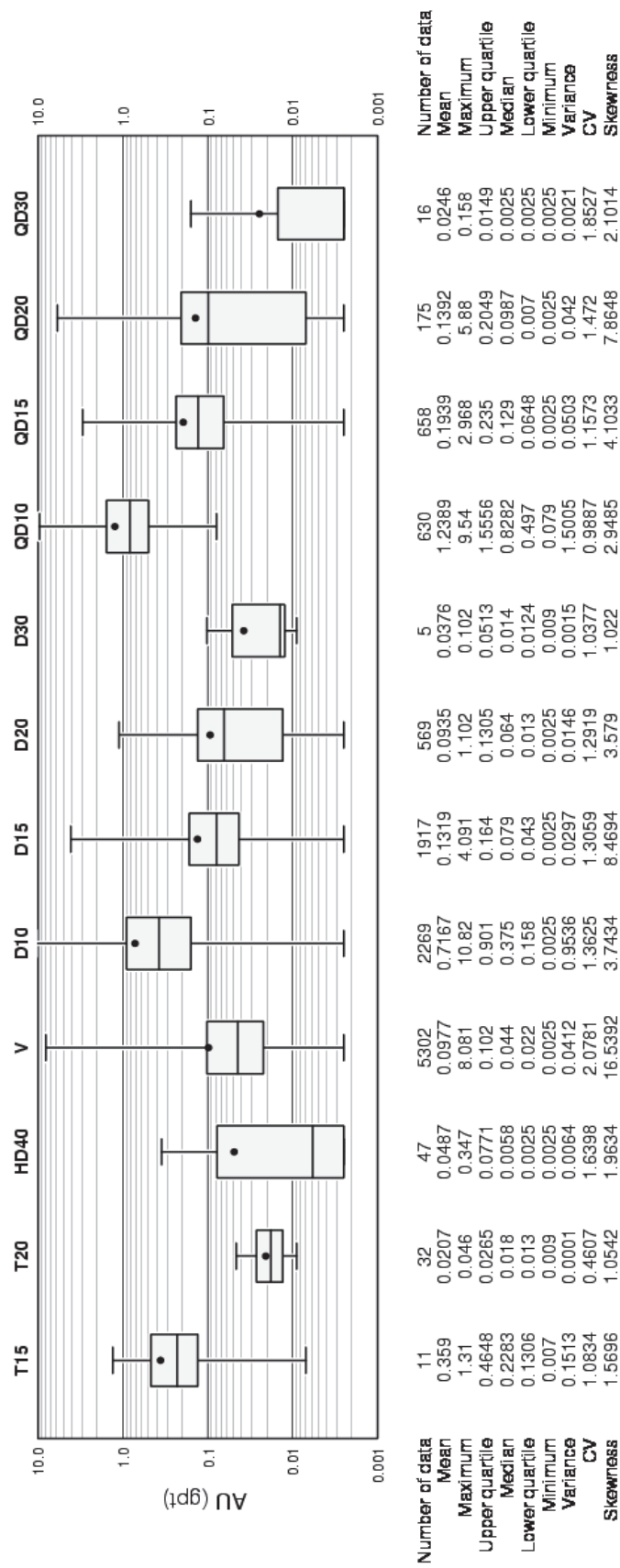


Figure 6-16 Phase 1 Drilling Au Boxplot by Lithology (Source: SRK ES, 2016)

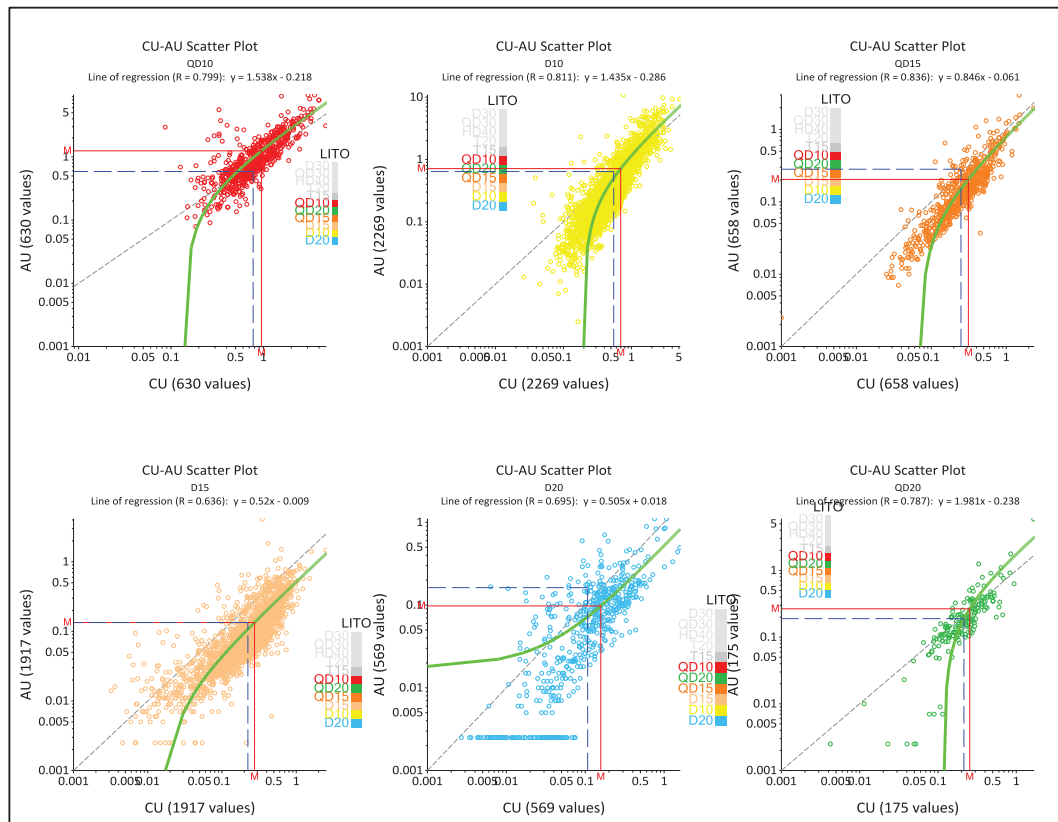
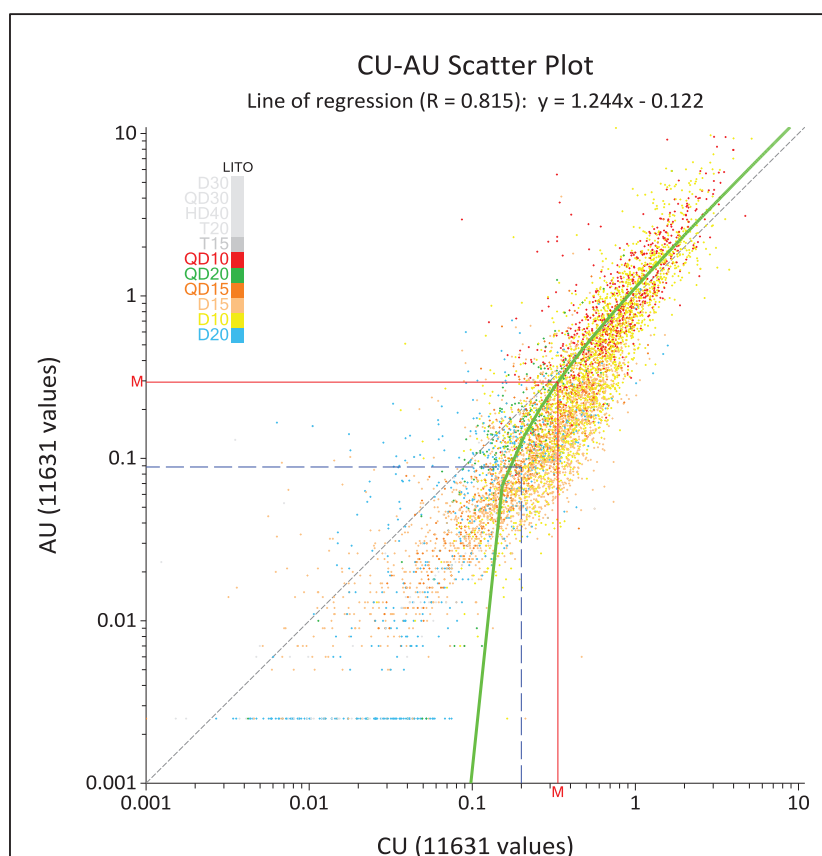


Figure 6-17 Phase 1 Drilling Cu-Au Scatterplot by Lithology (Source: SRK ES, 2016)

Structural Geology

The structural model for the Alpala group is in its early stages. Mapping and topographical and geophysical data suggest that the intrusive centres are aligned at the confluence between northwest trending deep seated structures and northeast and north-trending structural corridors that cross the Cascabel Project, Figure 6-19.

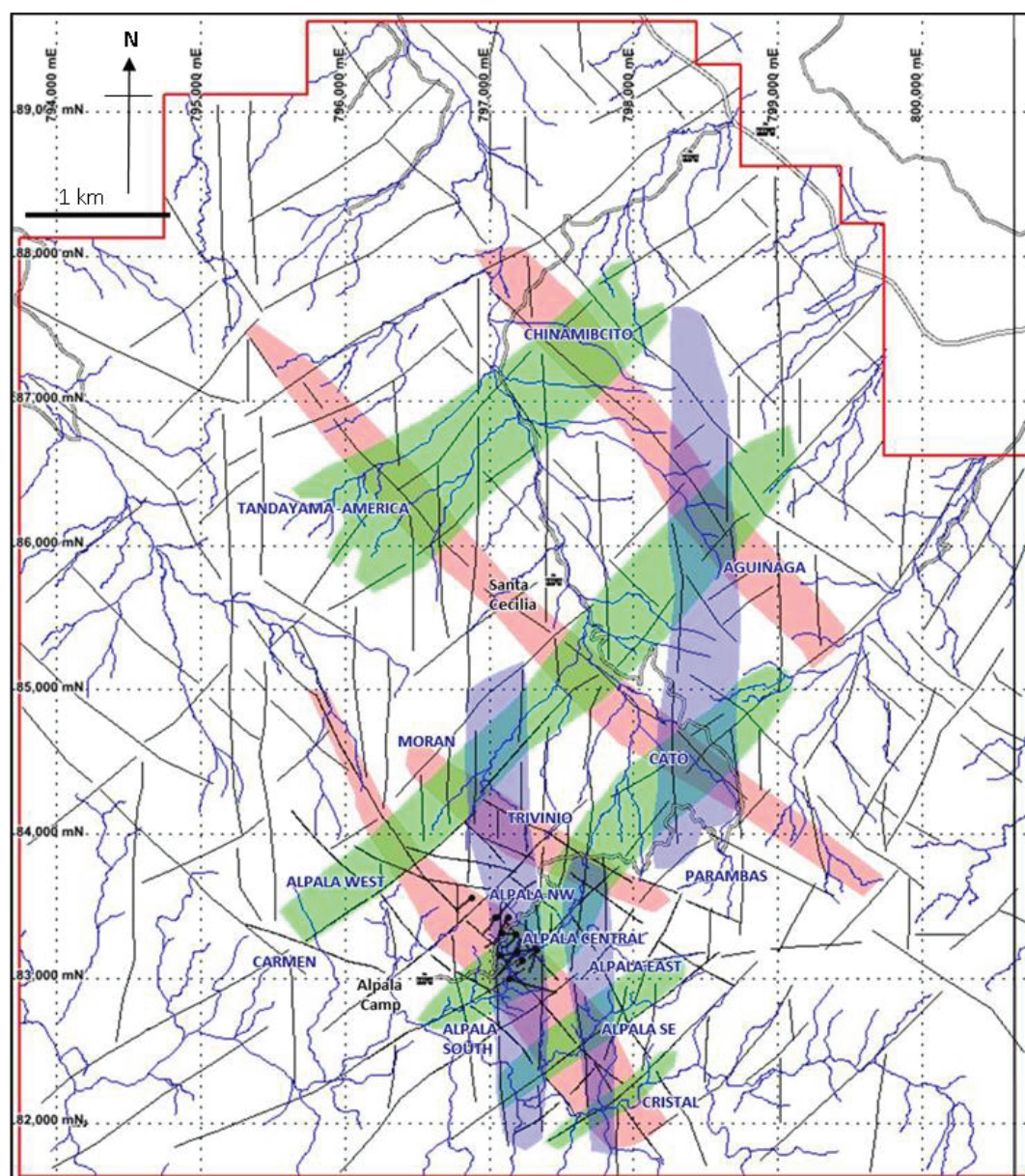


Figure 6-18 Phase 1 Drilling Interpreted Structural Corridors at the Cascabel Licence (Source: SolGold, 2016)

Drill core orientation and subsequent structural measurements further indicate that veining is also aligned to this trend (Figure 6-19). It also highlights that the central regions are offset into a north-easterly direction again suggesting that Alpala Central is located on a junction between these two structures. The late stage post mineralisation D20 diorite dyke also intrudes along this north east structure.

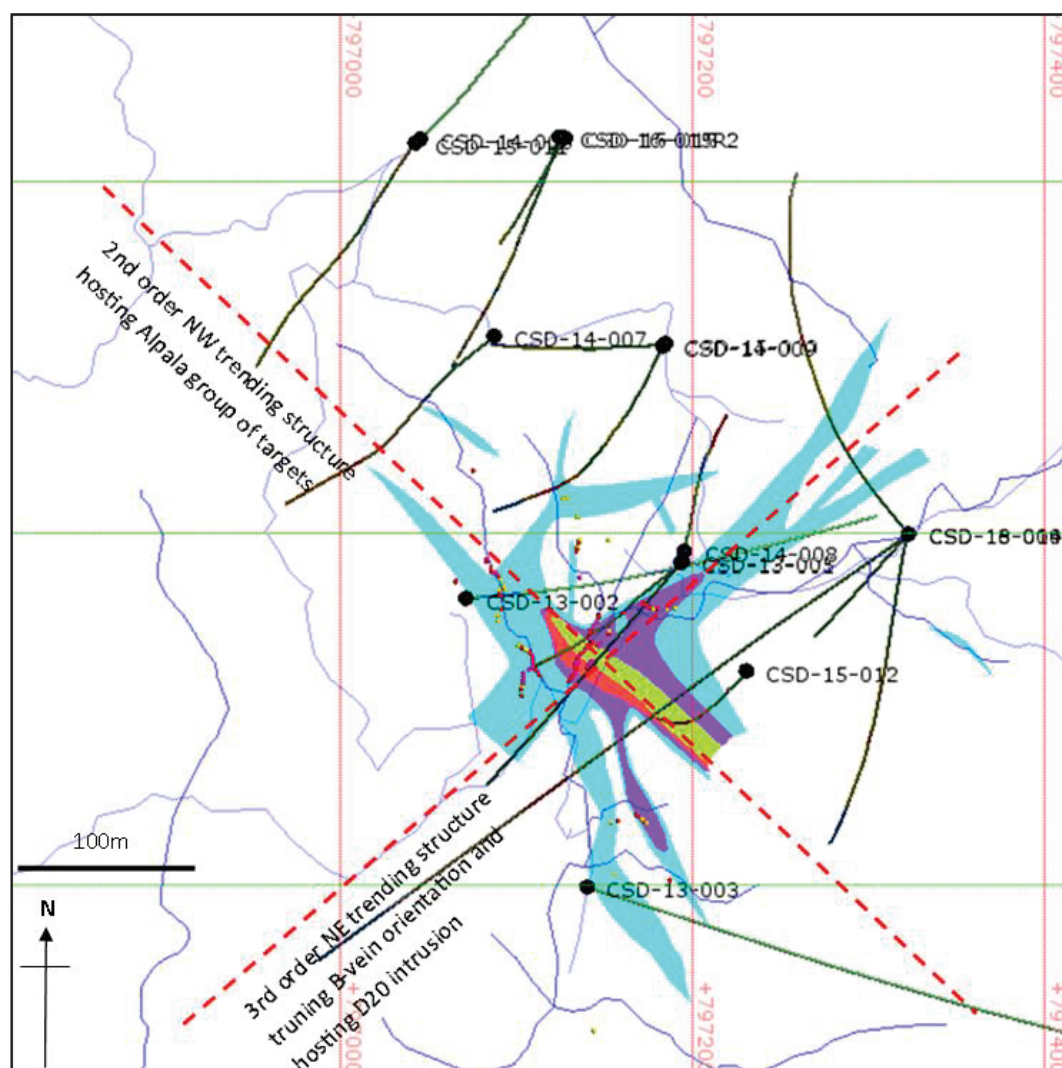


Figure 6-19 Surface B-Vein Intensities across Alpala Central Illustrating the Intersection between the NW and NE trending structures (Source: SRK ES)

B-Vein intensities = light blue = 0.5 to 2%; purple = 2 to 5%; red = 5 to 20%; green ≥ 20% B-veins

6.3.3 Aguinaga

The Aguinaga prospect is centred on a magnetic high anomaly that occupies the southwest slope of a significant hilltop (1615 m) east of Santa Cecilia. The geology of the region is dominated by an extensive diorite body. The prospect lies about 3 km south of the site office and 1.3 km to the northwest of Alpala. The interpreted porphyry centre at Aguinaga occurs at the confluence of a deep seated regional northwest trending structure with a major north-east trending lineament.

It is characterised by a 500 m x 500 m magnetic high surrounded by an annular magnetic-low. This geometry may be 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 (IP) chargeability models infer the presence of a deep rooted system at Aguinaga (Figure 6-20).

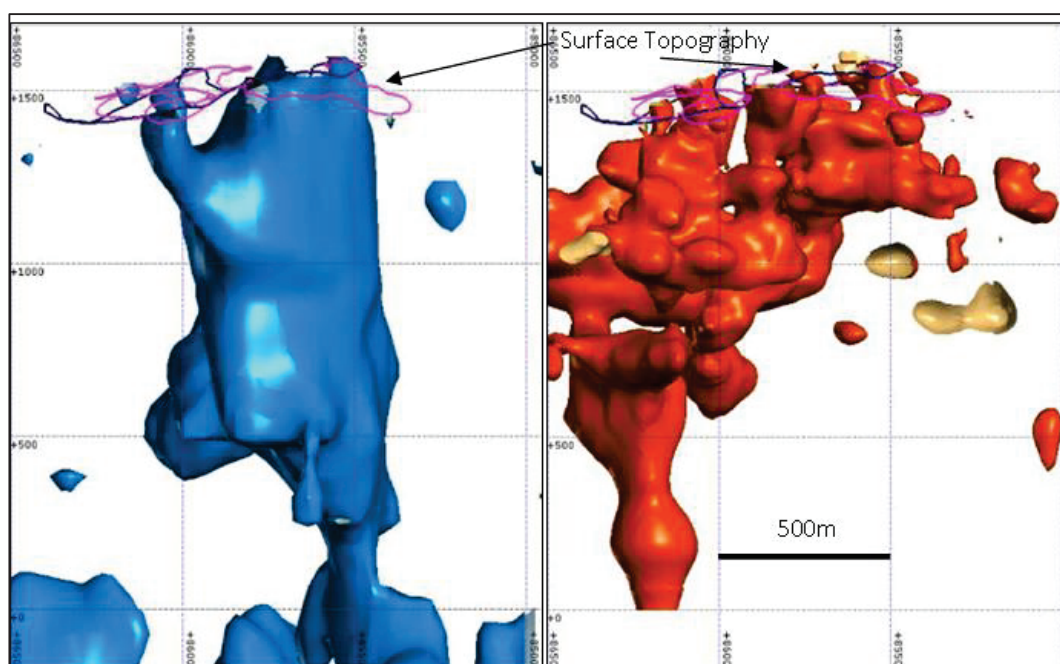


Figure 6-20 Cross Sectional Images Looking East through the 3D Geophysical Modelled of Aguinaga (Source: SolGold)

Left - MVI Magnetic Inversion model >800, Right – IP Chargeability model >145 msec

The Aguinaga hill-top is the locus of significant coincident copper, gold, and molybdenum geochemical soil anomalies along with manganese and zinc depletion and surrounding halo (Figure 6-21). Low manganese in soil is possibly related to intense late-stage hydrothermal alteration, while an elevated zinc aureole surrounding this area of low manganese is a metal zonation pattern described at other porphyry centres along the Andean porphyry belt.

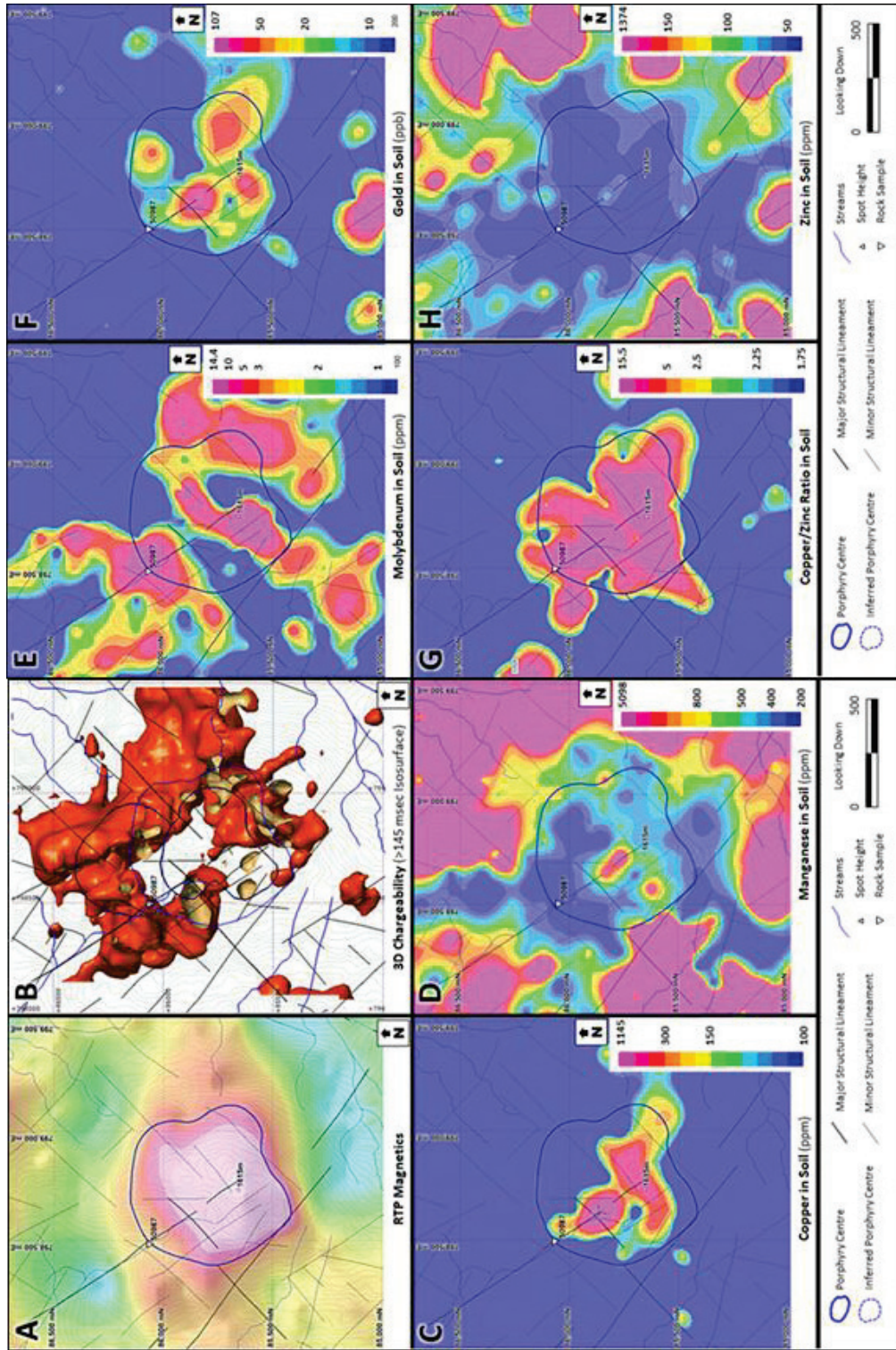


Figure 6-21 Correlation between Geophysical and Geochemical Signatures at Aguinaga (Source: SolGold)

A = RTP Magnetics, B = 3D Chargeability, C = Copper in soil, D = Manganese in soil, E = Molybdenum in soil, F = Gold in soil, G = Copper/Zinc ratio in soil, H = Zinc in Soil

Lithology

Due to very limited surface outcrops, the lithology at Aguinaga is poorly understood. Reconnaissance field-work initially identified mineralised porphyritic diorite along the northern slope of Aguinaga Hill. Subsequent detailed, 1:500 scale, geological and structural mapping defined stock-work style copper-gold mineralisation outcropping at surface hosted in porphyritic diorite.

Mineralisation

Mineralisation is exposed along the upper section of Aguinaga Creek, where B-type quartz-magnetite-chalcopyrite-bornite stock-work veining occurs within porphyritic diorite (Figure 6-22). The outcropping mineralisation is accompanied by potassic (biotite) alteration and 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.

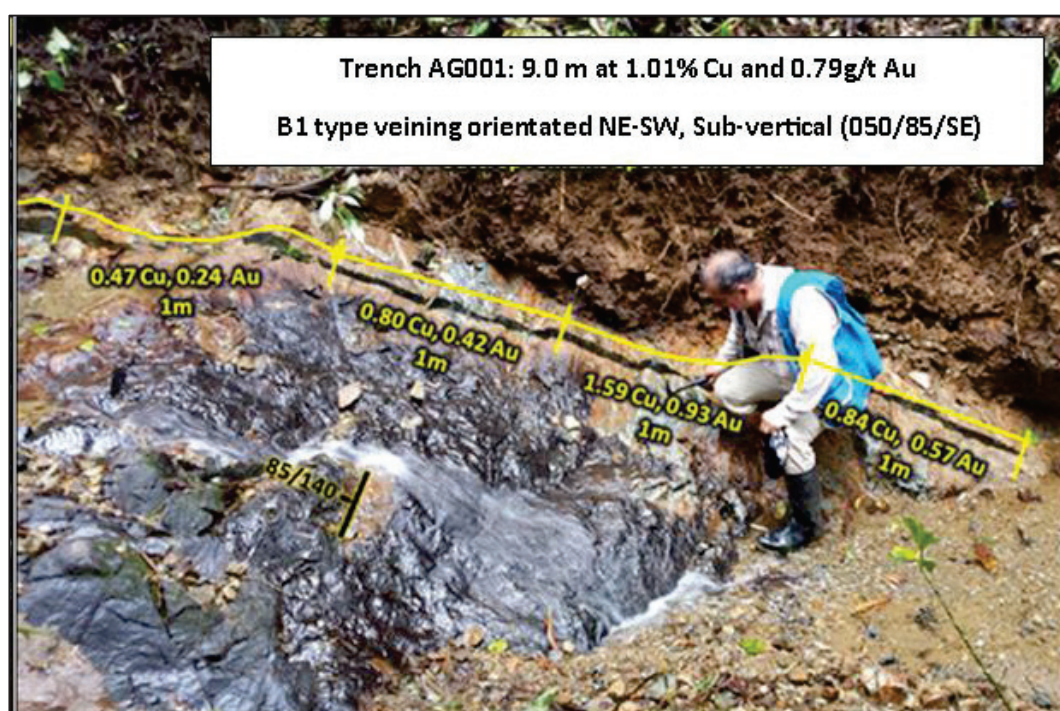


Figure 6-22 Trench AG001 Sampling Surface B-vein Mineralisation at Aguinaga (Source: SolGold, 2014)

6.3.4 Other Prospects

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

Chinambicito

Chinambicito has been defined as a prospect based on RTP magnetic imagery. These data

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 to date.

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 Trivinio area. This aligns with both magnetic and soil geochemical anomalies which suggest the possible presence of a porphyry centre, Figure 6-23.

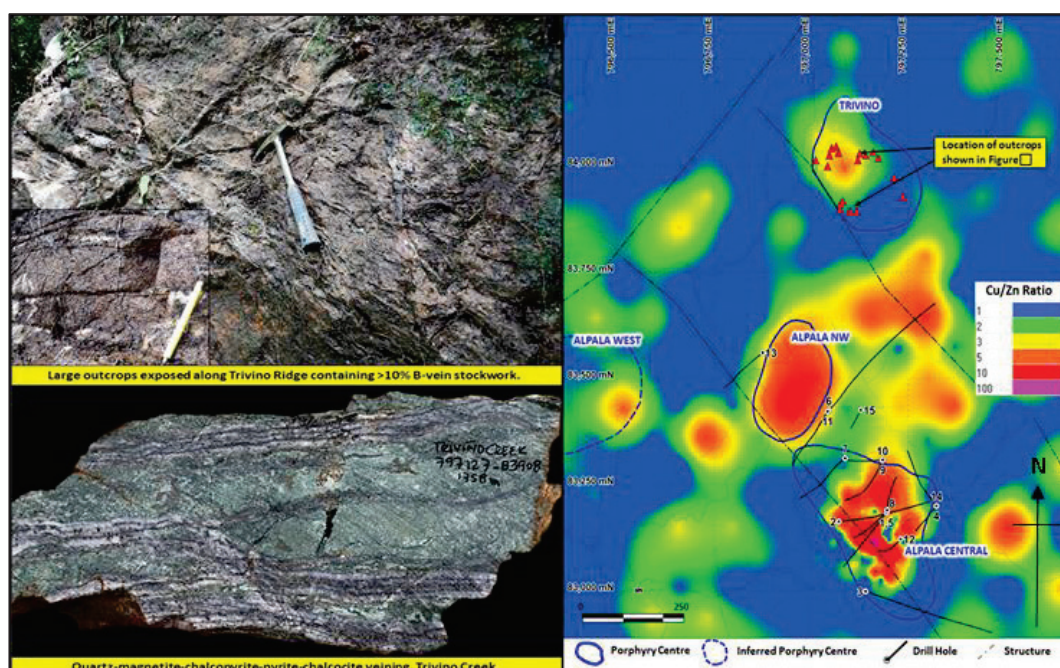


Figure 6-23 Stockwork Veining Observed at Trivinio and its Association with Cu/Zn Geochemical Anomaly, (Source: SolGold)

Parambas

Parambas lies around 1 km east northeast of Alpala. It is characterised by a discrete RTP (reduced to pole) magnetics high and also an adjoining ovoid 3D 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 as seen in Figure 6-24.



Figure 6-24 Altered Intermediate Sulphidation Veins Seen at Surface at Parambas

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 prospect 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.

7 DEPOSIT TYPES

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

- Porphyry copper - related to the early stages of magmatism;
- Epithermal gold, 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 Cascabel is considered as a classic porphyry copper + gold system and exploration has been designed with this interpretation in mind.

7.1 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 (copper and more distal lead/zinc and/or gold), carbonate replacement and sediment hosted gold with increasing distances from the parent intrusion. High sulphidation epithermal deposits may also occur within the lithocaps as shown in Figure 7-1. Copper porphyry mineralisation forms as sequences of quartz-bearing veinlets and disseminated wall rock between vein sets. These tend to define large tonnage, low grade bodies of copper $\pm$ gold $\pm$ molybdenum.

These systems tend to be Mesozoic or Cenozoic 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 to 4 km and relate to fluid supply to magma chambers forming vertical elongate stocks or dyke swarms (Sillitoe, 2010). 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 copper 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 copper porphyry deposits as well as epithermal concentrations of gold, copper and silver. The belt extends from southern Chile and Argentina in the south to Equator 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. Examples of porphyry and epithermal deposits within this belt are shown in Figure 7-2. The majority of these deposits formed during the Miocene; the same era as the intrusive stock-works within the Cascabel Project.

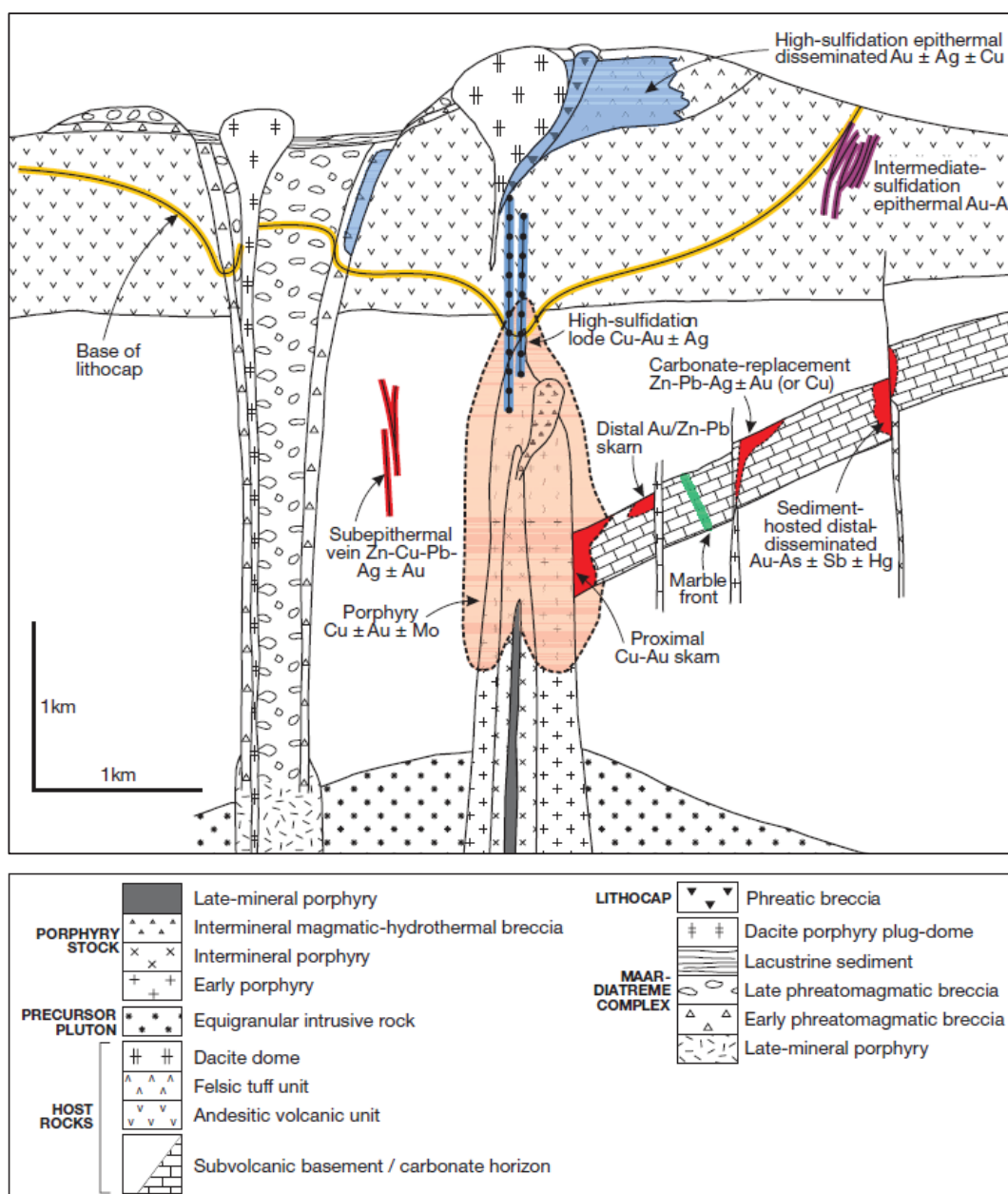


Figure 7-1 Schematic of an Idealised Copper Porphyry Deposit Illustrating the Classic Generic Model and Possible Related Deposit Types. Sillitoe, 2010



8 EXPLORATION

8.1 Introduction

SolGold's exploration has initially targeted the licence as a whole as well as specifically targeting a number of the priority prospects within the licence.

Recent exploration at the Cascabel Project began with the acquisition of the project by Cornerstone Capital Resources from Santa Barbara Copper and Gold S.A. in 2011.

Cornerstone expanded on preliminary exploration carried out in the 1980s by completing reconnaissance mapping alongside stream-sediment, panned concentrate and rock chip sampling campaigns in June to July 2011. The early Cornerstone exploration identified Cu-Au-Mo and Pb-Zn-As rock chip anomalies, as well as Cu-Mo-Au stream sediment anomalies, while concluding that copper was consistently anomalous and that a high proportion of rock chip samples contain >1 g/t Au.

SolGold assumed technical management of the project following the signing of an Earn-in Agreement with Cornerstone in April 2012 and the first systematic exploration commenced at Cascabel in May 2012.

SolGold's exploration began with reconnaissance rock chip and channel sampling in conjunction with multi element soil geochemistry studies taking in approximately 3000 samples across 30 km².

A heli-borne magnetic survey was conducted in November 2012 across the 50 km² licence.

Following the receipt of an Environmental Licence in August 2013, drilling commenced at Alpala in September 2013. To date 26,829.59 m of drilling across 23 drillholes has been completed at Alpala.

In August 2014 a deep penetration 3D IP Orion survey was conducted over a 30 km² area of the Cascabel Project.

8.2 Licence-wide Geochemical Sampling

Amongst the first exploration techniques employed on the Cascabel Project was geochemical sampling of stream sediment, soil and rock which built on historical programmes discussed in Section 6.

8.2.1 Soil Orientation Survey

In order to support the soil geochemical sampling programmes, an orientation survey was carried out from August 2012 to January 2013. This survey involved the collection of six samples per sample site, with two samples from each of the A, B and C soil horizons, for a total of 1420 soil samples. The two samples collected from each horizon enabled sieving to two size fractions for analysis: -80 mesh and -230 mesh. Each sieved fraction was dissolved in the laboratory using the same four-acid digestion prior to analysis.

Based on the orientation soil results, the conclusion reached was that the C-horizon yielded the greatest contrast between anomaly and background, and that the C-horizon should be targeted in future soil sampling campaigns at Cascabel.

8.2.2 Soil Geochemical Sampling

Following the results of this orientation survey, C-horizon samples were taken on a 200 m by 100 m grid from August 2014 and sieved to -80 mesh in the laboratory. The grid was later in-filled to a density of 100 m x 100 m over priority areas until February 2016. The samples were collected on a grid trending 045°, principally orthogonal to the strike of the dominant structures in the licence area. Soil samples are hand dug to around 50 to 70 cm depth.

Between 2012 and 2016 almost 3300 soils samples were collected over the Cascabel Project area producing coincident molybdenum, gold and copper/zinc ratio in soil anomalies across a number of inferred porphyry centres.

Identification of spectral analysis of alteration was also conducted on the coarse fragments of these soils to assess the location of any lithocap from paragonite and kaolinite ratios.

8.3 Licence-wide Geological Mapping

Building on past 1:10,000 scale mapping of the project area, the SolGold field teams continue to perform 1:500 scale, "Anaconda" style geological mapping over the tenement area and updates to the local geology map remain on-going. This mapping targets the identification of alteration styles as well as porphyry vein style mineralisation in outcrops. The process is limited by the degree of cover and the deep tropical weathering experienced across the region.

8.4 Exploration on the Alpala Group

Alpala (Alpala Central) is the most advanced of the Cascabel prospects and has been the subject of geological mapping, soil and rock geochemical sampling and heli-borne geophysical surveys. This exploration work quickly moved towards detailed trenching/channel sampling of the exposed mineralisation within the Alpala creek system and then ultimately to the current core drilling programme as discussed in Section 9. Exploration has extended out along strike to incorporate areas of Alpala Northwest and Southeast.

8.4.1 Rock Chip Sampling

A total of 74 rock chip and grab samples have been taken across the Alpala prospect in an attempt to identify and define the surface mineralisation and geology ahead of further more detailed channel sampling.

8.4.2 Channel Sampling

A programme of channel sampling has been conducted across Alpala in 2012 and 2013, resulting in 702 samples from 84 channels. These have focussed on the surface expression of the intense B-veining and alteration observed within the Alpala creek system. After marking out a roughly 5 cm wide channel along the base of these outcrops in such a way to ensure continual sampling, a 5 cm deep channel is cut with the use of a rock saw to ensure that consistent samples are taken. Examples of this channel sampling are shown in Figure 8-1.

Samples were taken on average every two metres although final sample lengths varied from 0.35 m to 2.7 m.

At Alpala, most of the sample channels have been along drainages over an area of approximately 250 m x 200 m of erosional exposures of quartz stockwork veins. Zones of moderate-to-high density sheeted and stockwork quartz veining are associated with the highest grades, Figure 8-2 **Error! Reference source not found..** The highlights of these trenches are:

- TH46 45.64m @ 0.81 g/t Au, 0.59% Cu
- TH56A 56.93m @ 1.16 g/t Au, 0.34% Cu
- TH57 45.50m @ 0.46 g/t Au, 0.25% Cu
- TH64A 54.73m @ 0.21 g/t Au, 0.17% Cu

These channel results provided an inferred margin of a mineralised porphyry system and allowed SolGold to plan the first targeted core drillholes into the Alpala system. These are discussed in Section 9.



Figure 8-1 Evidence of Channel TH46 in Alpala Central, (Source: SRK ES, 2016)

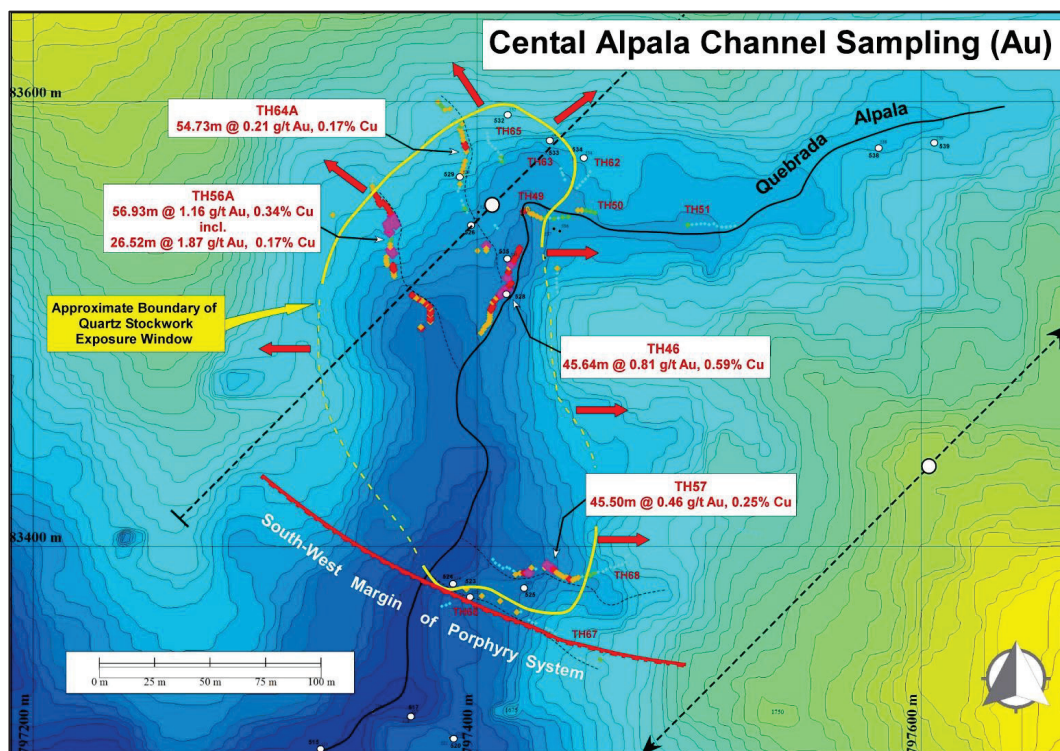


Figure 8-2 Locations of Alpala Surface Channels, (Source: SolGold)

8.4.3 Magnetic Modelling

Three-dimensional inversion modelling of the interpreted intrusives at Alpala and the surrounding prospects, based on the helicopter flown magnetic data across Cascabel, has also been conducted by SolGold. An image of the 3D model in the Carmen-Alpala region is shown in Figure 8-3. These data were correlated with the TerraSec surface alteration data in an attempt to understand the characteristics of the host intrusives and the potential location for economic mineralisation.

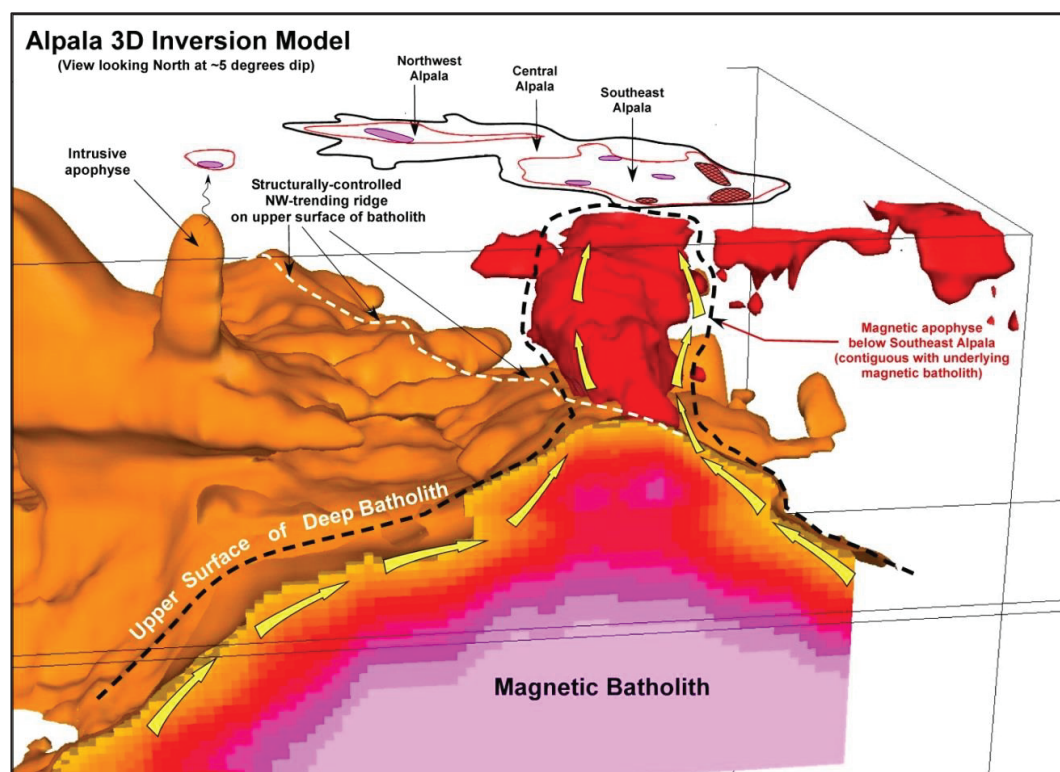


Figure 8-3 Example 3D Inversion Model of Magnetic Data at Alpala below Surface Alteration Anomaly, looking NNE (Source: SolGold)

8.5 Exploration on the Aguinaga Prospect

8.5.1 Rock Chip/Grab Sampling

The Aguinaga prospect is in an area with minimal outcrop. A total of 69 grab samples have been taken to date from locally-derived float samples. These samples have been inserted into the same sampling stream as other channel and core samples.

8.5.2 Channel Sampling

Rock-saw channel sampling using the same approach as that used at Alpala was conducted on a single channel at Aguinaga in 2015 producing 8 samples from between 1 to 2 m in length. Results over the exposed outcrop returned an open ended intersection of 9.0 m at 1.01% Cu and 0.79 g/t Au, Table 8-1.

Table 8-1 Channel AG001 Results - Aguinaga

Channel ID	Length (m)	Cu %	Au g/t
AG001	1	0.84	0.57
AG001	1	1.59	0.93
AG001	1	0.8	0.42
AG001	1	0.47	0.24
AG001	1	0.7	0.33
AG001	2	0.26	0.196
AG001	2	2.07	2.11
Totals	9	1.01	0.79

8.6 Exploration on Other Prospects

Exploration has predominately been focused on the Alpala and Aguinaga and only limited exploration has so far been conducted on the other identified targets within the Cascabel licence. This has mainly been in the form of rock chip and channel samples which have been collected using the same procedures as detailed above.

8.6.1 Rock Chip and Grab Samples

SolGold has collected 173 rock chip samples on seven of the other exploration prospects as detailed in Table 8-2

8.6.2 Channel Samples

During 2012 and 2013 exploration programmes, a number of the prospects have also seen some limited channel sampling undertaken as detailed in Table 8-2. These were conducted using the same approach as that detailed above.

Table 8-2 Number of Rock Chip and Channel Samples by Prospect

Prospect	No. of Rock Chips	No. of Trenches	No. of Samples
Alpala	74	84	702
Aguinaga	69	1	7
America-Tandayama	32	25	230
Cristal (part of Alpala Cluster)	18	0	0
Trivinio	37	3	99
Carmen	14	5	10
Moran	46	47	256
Parambas	16	0	0
Chinambicito	10	0	0

9 DRILLING

9.1 Introduction

Following the granting of the Environmental Licence on 27 August 2013, SolGold commenced diamond drilling on 1 September 2013. Initial drilling focussed on intersecting the down-dip extension of outcropping sheeted and stockwork "B" type quartz veins in Alpala Creek.

This first phase of drilling involved 19 diamond core holes drilled over a 700 m by 250 m area. Drilling results have defined a north-westerly trending, steeply northeast-dipping, dyke-stockwork complex of diorite to quartz diorite that extends around 1300 m along strike. The first phase of drilling concluded on 31 May 2016.

Since drilling commenced, SolGold have released drill results with the best drill intercept reported to date being 1312 m at 0.67 % Cu and 0.63 g/t Au from a depth of 128 m below surface in hole CSD-15-012. This includes 576 m at 1.03 % Cu and 1.19 g/t Au.

Following a review and interpretation period, SolGold commenced with a second phase of drilling on the 18 October 2016. Drilling is now also utilising tracked rigs, provided by Major Drilling, with greater depth capacities than those used in the initial drilling phase. The first four drillholes are in progress at the time of writing this report with 3,159.55 m having been drilled. This second phase is targeting deeper zones of the Alpala body using longer, inclined holes in order to achieve better intersection angles.

9.2 Alpala Phase 1 Drilling

From 1 September 2013, 19 drillholes (including two re-drills) were completed using man-portable rigs, contracted through Hubbard Perforaciones, positioned directly above the Alpala creek outcrops targeting the Alpala Central anomaly, defined by the geochemical and geophysical results discussed in Section 8. Drillhole inclination angles between -60 to -87° provided relatively steep intersection angles into the near vertical Alpala body. Initial results indicate that a mineralised copper-gold porphyry system exists at depth and that this mineralisation may be distinct from the sheeted vein system seen at surface.

Further drilling focussed on expanding the known mineralisation at Alpala along strike, both towards the northwest and southeast (the Alpala cluster). Summary details of the first phase of drillholes are given in Table 9-1. The key intersections from the Phase 1 drilling are listed in Table 9-2. These grade intercepts are based on intervals derived using copper equivalency at a cut off of 0.1 % CuEq and no more than 10 m continuous dilution.

Table 9-1 Summary of Phase 1 Core Drilling at Alpala

Drillhole ID	Azimuth	Dip	Length	Easting*	Northing*	Elevation
CSD-13-001	221	-61	353.56	797194	83183.5	1608.15
CSD-13-002	85	-63	547.42	797071.84	83163.2	1626.21
CSD-13-003	107	-60	751.33	797140.65	82999.13	1574.1
CSD-13-004	222	-75	318.51	797323.04	83199.83	1612.98
CSD-13-005	225	-85	1,370.00	797194.53	83183.96	1608.15
CSD-14-006	47	-76	1,401.50	797045.76	83424.37	1770
CSD-14-007	220	-85	1,672.76	797087.76	83312.37	1757
CSD-14-008	2	-85	1,310.45	797195.91	83190.01	1608.15
CSD-14-009	210	-85	1,757.35	797183.8	83306.55	1699.09
CSD-15-010	260	-85	974.84	797185.1	83308.08	1699.09

Drillhole ID	Azimuth	Dip	Length	Easting*	Northing*	Elevation
CSD-15-011	225	-85	1,668.20	797043	83422	1770
CSD-15-012	210	-87	1,683.00	797231	83122	1634.47
CSD-15-013	225	-87	1,666.89	796875	83560	1792
CSD-15-014	320	-87	1,857.00	797323.04	83199.83	1612.98
CSD-15-015	205	-85	1,048.40	797128	83425	1768
CSD-16-015R	205	-85	141.43	797125	83425.5	1768
CSD-16-015R2	198	-85	1,970.00	797125	83425.5	1768
CSD-16-016	198	-83	1,661.60	797323.04	83199.83	1620
CSD-16-017	233	-74	1,515.80	797323.04	83199.83	1620
GRAND TOTAL			23,670.04			

*UTM PSAD56

Table 9-2 Key Mineralised Intersections from Alpala Phase 1 Drilling

Drillhole	From	To	Interval	Cu (%)	Au (g/t)
CSD-13-001	16.0	318.0	302.0	0.39	0.48
<i>Including</i>	222.0	322.0	100.0	0.65	1.00
CSD-13-002	126.0	418.0	292.0	0.37	0.30
<i>Including</i>	184.0	226.0	42.0	0.50	0.68
CSD-13-003	4.0	751.3	747.3	0.11	0.05
<i>Including</i>	584.0	712.0	128.0	0.23	0.14
CSD-13-004	160.0	318.3	158.3	0.11	0.05
CSD-13-005	24.0	1330.0	1306.0	0.62	0.54
<i>Including</i>	1052.0	1310.0	258.0	1.27	1.40
CSD-14-006	702.0	1038.0	336.0	0.18	0.12
CSD-14-007	654.0	1612.0	958.0	0.40	0.17
<i>Including</i>	1056.0	1294.0	238.0	0.65	0.35
CSD-14-008	396.0	1310.5	914.5	0.41	0.44
<i>Including</i>	1264.0	1310.5	46.5	0.71	0.58
CSD-14-009	430.0	1757.4	1327.4	0.57	0.74
<i>Including</i>	1184.0	1482.0	298.0	1.24	1.72
CSD-15-010	446.0	840.0	394.0	0.38	0.36
<i>Including</i>	684.0	840.0	156.0	0.63	0.74
CSD-15-011	996.0	1632.0	636.0	0.58	0.40
<i>Including</i>	1412.0	1518.0	106.0	0.73	0.50
CSD-15-012	128.0	1440.0	1312.0	0.67	0.63
<i>Including</i>	844.0	1420.0	576.0	1.03	1.19
CSD-15-013	926.0	1302.0	376.0	0.52	0.25
<i>Including</i>	920.0	1126.0	206.0	0.61	0.30
CSD-15-014	628.0	1396.0	768.0	0.50	0.45
<i>Including</i>	808.0	1284.0	476.0	0.63	0.65
CSD-16-015R2	394.0	1732.0	1338.0	0.49	0.36

Including	890.0	1640.0	750.0	0.67	0.50
CSD-16-016	516.0	1661.6	1145.6	0.63	0.78
Including	928.0	1301.6	373.6	1.00	1.34
CSD-16-017	330.0	1278.0	948.0	0.60	0.53
Including	784.0	1032.0	248.0	1.16	1.36

Intervals selected based on a 0.1% CuEq cut off grade. CuEq grades are calculated using a gold conversion factor of 0.89 calculated from a copper price of US\$2.20/lb and a gold price of US\$1350/oz Au.

Due to the positioning of these first drillholes, many produced steep intersections into the Alpala deposit; this is not uncommon during early drilling of a body the shape and form of a porphyry deposit. The true width of the mineralisation at Alpala is not yet known and is being tested as part of the Phase 2 drilling programme.

As discussed in Section 8, SolGold have produced a series of lithological and B-vein intensity models from the results of this Phase 1 drilling. Figure 9-1 illustrates the recorded B-Vein intensity model and the extent of the Phase 1 drilling programme.

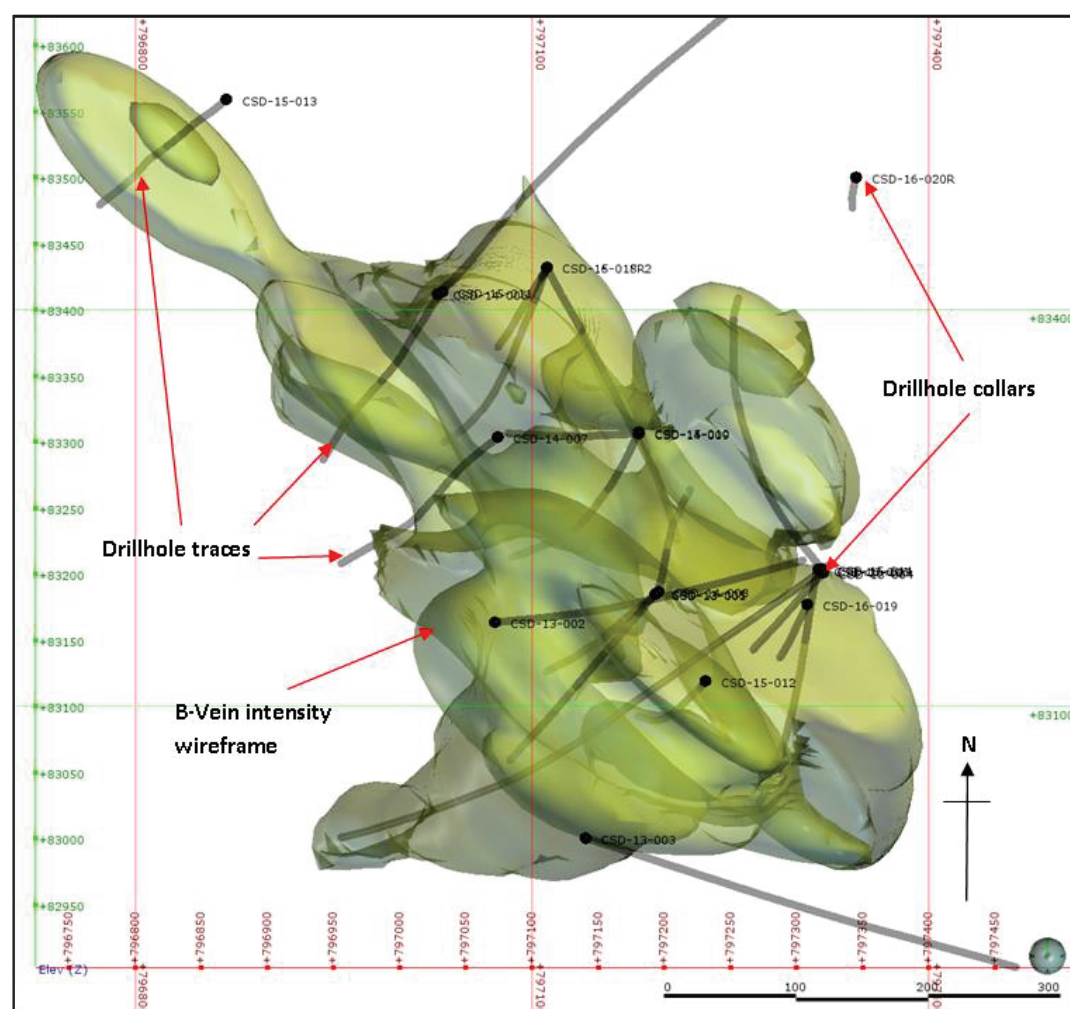


Figure 9-1 Extent of Phase 1 Drilling and the >2% B-Vein Intensity Model Generated from the Phase 1 Drilling Programme (Source: SRK ES, 2016)

9.3 Alpala Phase 2 Drilling

The current Phase 2 drilling commenced on the 18 October 2016. Two drillholes have been completed and four (including one re-drill) have so far been started with a total of 5,444.31 m as of 13 February 2017. One drillhole was abandoned after 157 m due to significant deviation from the plan and is currently being re-drilled. Two separate drilling contractors are currently in operation. Summary details are provided in Table 9-3.

The aim for this second phase of drilling is to further define the extent of the mineralisation at Alpala and into the northwest and southeast extensions, to allow for a maiden Mineral Resource estimate to be calculated. Detailed infill drilling, involving deep diamond core holes with a number of wedged holes, are planned at selected levels as described in Section 25. These will improve the confidence in the in-situ resource and allow for the project to develop to the prefeasibility study level.

A plan map of all drilling so far conducted at Alpala Central in both drill phases is illustrated in Figure 9-2.

Table 9-3 Summary of Phase 2 Core Drilling at Alpala (as of 15 February 2016)

Drillhole ID	Azimuth	Dip	Length	Easting*	Northing*	Elevation	Contractor	Status
CSD-16-018	154.6	-82	2,216.75	797111.26	83431.98	1746.74	HP	Complete
CSD-16-019	211	-87	1,632.52	797308	83177	1620	HP	Complete
CSD-16-020	191.8	-80	157	797345	83500	1760	Major	Abandoned
CSD-16-020R	192.8	-87	1,342.4	797345	83500	1760	Major	In Progress
CSD-16-021	240	-82	740.05	797531	83098	1720	HP	In Progress
CSD-16-022	211	-73	697.99	797308	83177	1620	HP	In Progress
GRAND TOTAL			4,597.59					

*UTM PSAD56, HP = Hubbard Perforaciones, Major = Major Drilling

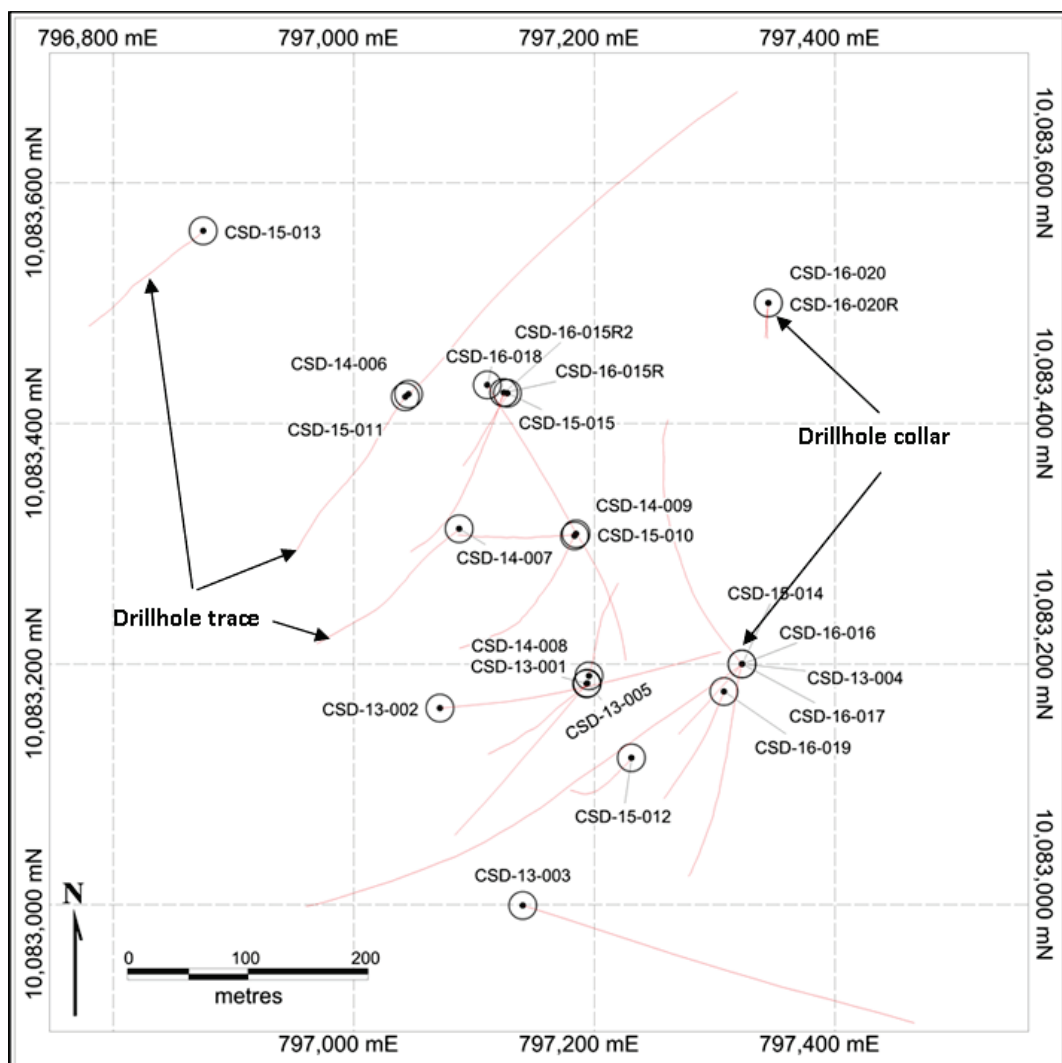


Figure 9-2 Diamond Drillhole Location at Alpala (Source: SRK ES)

9.4 Collar Surveys

Azimuth and dip of the drill rig setup are measured and checked by SolGold ahead of the start of all drillholes.

Collar locations are initially positioned using hand-held GPS units and then picked up by professional surveyors after drilling has been completed (Figure 9-3).



Figure 9-3 Example Final Collar Position – CSD-13-001 (SRK ES, 2016)

9.5 Downhole Surveys

A Single Shot Reflex Ezi-Gyro system is used to provide a down hole survey upon completion of each drillhole. Readings are taken by the drilling contractors at 50 m intervals and provided to the SolGold geology team. Any deflection of more than 10 degrees in dip or azimuth within a 50 metre interval, is resurveyed.

9.6 Diamond Drilling Procedures

During SRK ES site visit in June 2016, the drilling being performed by contractors and managed by SolGold's geological team, was observed. Two drilling contractors are undertaking the drilling: Hubbard Perforaciones ("HP") and Major Drilling.

HP drill rigs are custom made Hydracore man-portable rigs with a maximum capacity drilling at PQ diameter (85.0 mm core.) to 300 m depth, HQ (63.5 mm core) to 1000 m, NQ (47.6 mm core) to 1900 m, or BQ (36.4 mm core) to 2400 m.

Major Drilling drill rigs are track mounted Atelier Val d'Or VD6000PC with a capacity at PQ diameter to 900 m depth, HQ to 1400 m, NQ to 2200 m and BQ to 2800 m.

Drill pads, water sumps and rain shelters are constructed by SolGold field teams at each site under the supervision of the contractors, Figure 9-4.

All drilling is undertaken using Diamond Core ("DC") triple tube at either PQ3 (83.0 mm core), HQ3 (61.1 mm core) or NQ3 (45.0 mm core) core size.

Core is produced in 3 m core runs and placed into wooden core boxes. Core recoveries are recorded at the drill site. Core boxes are then transported to the main project office for logging and sampling. Cut wooden blocks are placed at the end of each run to record drill depths.

Core orientation is performed at 30 m intervals using a Reflex ACT III Ezi-Ori system.



Figure 9-4 Diamond Drillhole Location CSD-16-017 (SRK ES, 2016)

9.7 Core Recovery

SRK ES has reviewed the drill core recovery results and found that recovery is good with average recoveries of 97% being achieved.

9.8 Core Storage

Core is labelled ahead of being transported from the drill sites via mule and 4x4 vehicles to the project office site at Rocafuerte where it is photographed, logged and sampled. The core is stored at the camp under cover, alongside the logging area.

SRK ES understands that some of the core from the first drillholes is stored offsite in Quito but SolGold intend to return this core to the camp in due course.

9.9 SRK ES Comments

From SRK ES's review during their technical site visit, the drilling at Alpala has been conducted in a professional manner using industry best practices and has produced core of sufficient quality and recovery to be used in a future Mineral Resource estimation.

The initial spread and design of the drillholes was limited by access and topography hence the use of man-portable rigs. This has resulted in some high intersection angles of the mineralised body which is not uncommon when drilling a body the form of a porphyry deposit. With the introduction of the Major Drilling drill rigs with greater drill capabilities, SolGold intend to step out from the target area and undertake wedged drilling to gain better intersection angles and to realise their continued exploration plan towards defining the full extent of the Alpala mineralised body.

10 SAMPLE PREPARATION, ANALYSES AND SECURITY

10.1 Introduction

The following section outlines the sample preparation and assay procedures and protocols employed by SolGold.

10.2 Diamond Drilling Sampling and Chain of Custody

All drillcore has been processed at the drill site, Alpala field camp and the Santa Cecilia core facility, including geological and geotechnical logging, specific gravity analysis and magnetic susceptibility measurements. Following completion of the onsite analytical processes, samples are selected, cut and collected from the drillcore before being transported to one of three analytical laboratories for analysis.

10.2.1 Geotechnical Logging

Geotechnical 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 (RQD). Geotechnical logging 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.

The Santa Cecilia core facility is located approximately 12 km north of the Alpala field camp.

10.2.2 Geological Logging

Geological logging onto standardised paper logs is conducted at the main exploration camp at Rocafuerte, Figure 10-1. This includes standard geological factors such as lithology, texture and grain size. The intensity of B- and C-veins are also estimated as this has been shown by SolGold to have a good correlation with grade and may aid in future grade domaining.

A spear tool has been used to mark the bottom of holes at 30 m intervals and the orientation marked onto the core with a permanent marker along with up- or down-hole arrows whilst it is 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.

All logging data are manually input into Excel based digital databases that are periodically validated and audited by SolGold geologists.



Figure 10-1 Logging Facilities at Rocafuerte (SRK ES, 2016)

10.2.3 Core Photography

Core photographs have been 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.

10.2.4 Specific Gravity Analysis

Specific gravity analysis has been undertaken using a wax method on selected sections of whole core approximately 10 cm in length. Measurements are taken at a rate of one per core tray, and are made prior to cutting of core for sampling.

Core is sawed orthogonally to provide smooth ended core-cylinders, before being placed into a small drying oven for 10 to 12 hours. Core is then weighed to provide mass of dried, unwaxed core in air (Measurement A). Dried core is then coated in wax, before a second measurement of the mass of waxed core in air (Measurement B). Waxed core is then submerged in water, and again weighed to provide mass of submerged, waxed core (Measurement C).

Specific gravity is then calculated using the expression below, assuming that the density of paraffin wax is 0.914 g/cm³.

$$SG = \frac{A}{[B - C] - [B - A]/0.914}$$

The current project database contains 2373 specific gravity measurements.

10.2.5 Sample Selection and Mark-up

Prior to cutting and collection of samples, all core is marked up for sampling. A standard sampling interval of 2 m has been selected by SolGold although smaller samples may be taken in significant zones (≥ 25 cm) of massive sulphide. In these situations, the massive sulphide zone is sampled to its margins, and the sampling interval returned to even number depth intervals (e.g. 2 m, 4 m, 6 m) as soon as possible after the interval.

Where there are extended intervals of barren rock, while all core is marked up for sampling, samples are only taken every six metres. This approach allows for infill sampling at consistent 2 m intervals if required.

10.2.6 Core Sawing

Before cutting, all core is marked up by a geologist or competent core technician, ensuring that representative half core is created.

Two petrol driven core saws are operated at the Rocafuerte exploration camp, alongside the logging facility, Figure 10-2. 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 be 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, are left in the core tray without sawing, and split during sampling by cleaver and spatula.



Figure 10-2 Core Cutting Facilities at Rocafuerte, (SRK ES, 2016)

10.2.7 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 are 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.

10.2.8 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 two metre intervals. All measurements are taken using a KT-10 Magnetic Susceptibility Meter, manufactured by Terraplus.

10.2.9 Sample Security

Samples are packaged on site by SolGold 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 SolGold 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).

10.3 Channel Sampling

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

10.4 Sample Preparation and Analyses

The assaying of drill core and channel samples collected during SolGold's exploration programmes have been performed by one of three laboratories; ACME Vancouver, ALS Geochemistry, Lima and Met-Solve, British Columbia. All soil samples for the Cascabel have been submitted to ACME laboratory. Current rock, channel and drill core samples are to be submitted to ALS.

10.4.1 ACME Laboratory

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 (1kg to $\geq 70\%$ passing 10 mesh (2mm)), splitting (split to 250g) and pulverising ($\geq 85\%$ passing 200 mesh (75 μm)).

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 0.25g 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.

10.4.2 **ALS Laboratories**

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 μ 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 4 acid digest ICP with MS finish for 48 elements (ME-MS61); and,
- Au was measured using Au-AA23, a lead collection fire assay with AAS finish on a 30g sample.

10.4.3 **Met-Solve Laboratories**

Samples submitted to Met-Solve laboratories in Langley, British Columbia, 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 ICP-AES/MS (Atomic Emission Spectrometry/Mass Spectrometry) with a 0.2 g aliquot (Met-solve Code: IMS-230).

10.5 **SRK ES Comments**

Following a review of the sample preparation, sample and data security procedures and assaying employed by SolGold, SRK ES is of the opinion that they are consistent with industry best practices and suitable for a project at this level of exploration.

11 DATA VERIFICATION

11.1 Verifications by SolGold

SolGold routinely undertakes data verification as part of the on-going exploration programme. Checks 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 7.3%, Table 11-1.

Table 11-1 Summary of Phase 1 QAQC Samples Inserted into the Cascabel Sample Stream

Sampling Programme	Total	(%)	Comment
Sample count	14700		
Pulverised certificated blanks	336	2.3	
OREAS 22d	222	1.5	Gold Blank from Ore Research & Exploration
CDN-BL-10	114	0.8	Blank from CDN Resource Laboratories
Certified Reference Material	296	2	
CDN-CM-17	51	0.3	CM-17 from CDN Resource Laboratories
CDN-CM-19	62	0.4	CM-19 from CDN Resource Laboratories
OREAS 501b	82	0.6	CRM-501b from Ore Research & Exploration
OREAS 502b	67	0.5	CRM-502b from Ore Research & Exploration
OREAS 504b	34	0.2	CRM-504b from Ore Research & Exploration
Field duplicates	441	3	
Preparation duplicates	0	0	
Pulp duplicates	0	0	
Total QC Samples	1073	7.3	

11.1.1 Sample Quality Assurance and Quality Control Programmes

A routine quality assurance and quality control ("QAQC") programme has been implemented by SolGold 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 the insertion of:

- Certified Blanks – every 50th sample and at the start of every drillhole;
- Certified Reference Material ("CRMs" or standards) – a selection of five CRMs sourced from CDN Resource Laboratories Ltd., Canada, and Ore Research & Exploration, Australia - inserted every 50th sample; and
- Field Duplicates – two sets of ¼ core are sampled and inserted as every 30th sample.

Certified Reference Materials

Since the start of the drilling at Cascabel, SolGold has introduced five 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 to date.

The certified limits for the respective standards are provided in Table 11-2 below.

Table 11-2 Certified Reference Material Summary Details

QAQC_ID	Au g/t	Cu ppm	Mo ppm	Ag g/t	Pb %	Zn %
CDN-CM-17	1.37	7910	750	14.4	-	-
CDN-ME-19	0.62	4740	-	103	0.98 ± 0.06	0.75 ± 0.04
OREAS 501b	0.248	2600	99	0.778	-	-
OREAS 502b	0.495	7730	238	2.09	-	-
OREAS 504b	1.61	11100	499	3.07	-	-

SRK ES has reviewed the results for each of the five CRM's in relation to copper and gold values. The three OREAS sourced CRM performed well, reporting results within two standard deviations from the certified value. Two CDN CRM's used from the start of the drilling through to completion of hole CSD-15-011 show initially poor performance in both copper and gold, this however has improved with time. Further investigation has shown that these initial poor results are directly associated with the ACME laboratory, later analysis undertaken by ALS directly relates to the improvement in performance (Figure 11-1 & Figure 11-2). The mean value of both the gold and copper results for both the CDN CRM fall well within the two standard deviation from the certified value. SRK ES is therefore satisfied that in general the standards demonstrate (with the exception of a limited number of samples) an acceptable degree of accuracy at the assaying laboratories and the poorer performance from the ACME laboratory, which has now been addressed with the change in laboratory, has not introduced a bias into the results.

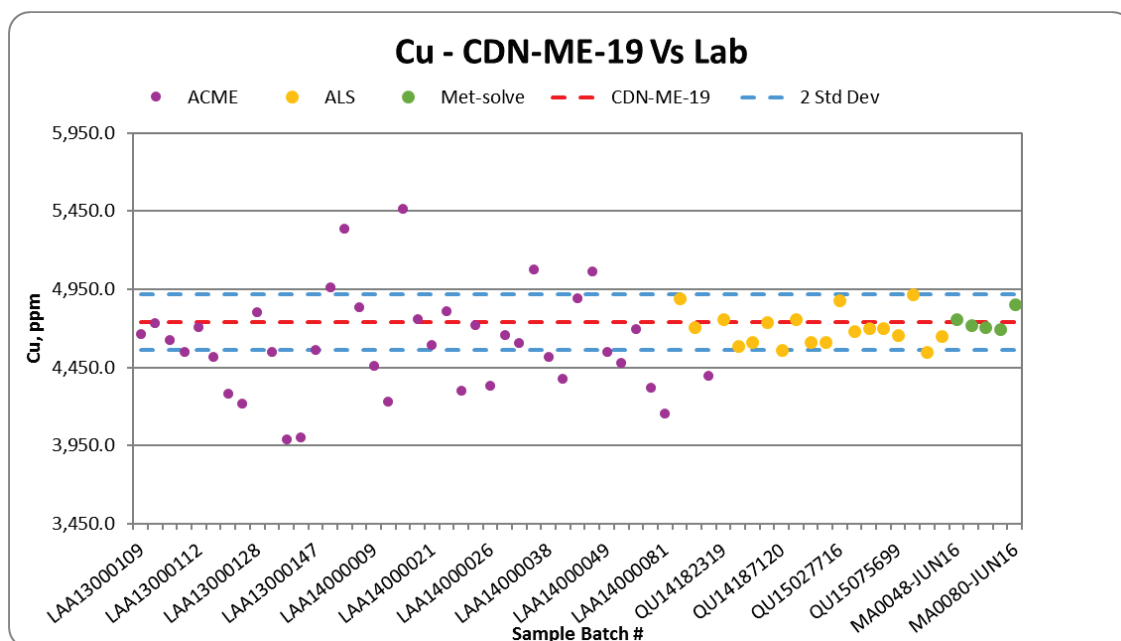


Figure 11-1 Plot of CDN-ME-19 CRM Assay Results for Copper (ppm) through time

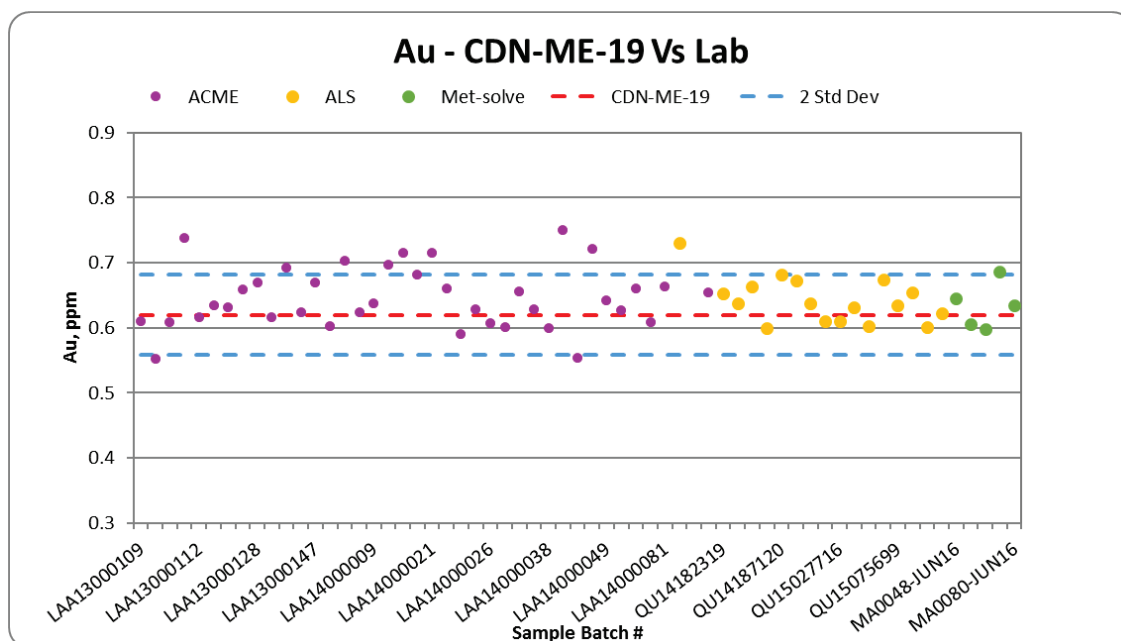


Figure 11-2 Plot of CDN-ME-19 CRM Assay Results for Gold (ppm) through time

Blanks

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 2-3%. The certified limits for the blank material are presented in Table 11-3. A total of 336 blanks have been inserted into the sample stream at Cascabel.

Table 11-3 Certified Blank Summary Details

QAQC ID	Au g/t	Cu ppm	Mo ppm	Ag g/t	Pb %	Zn %
CDN-BL-10	0.01	-	-	-	-	-
OREAS 22d	0.001	9.23	-	-	-	-

The two blank sourced used where certified low grade pulped material designed for use as gold blanks and as such contain low concentrations of copper (OREAS-22d certified, CDN-BL-10 not certified), and have therefore been interpreted as a low level standard rather than a blank (Figure 11-3) for copper. The copper and gold results both show a single outlier (two different samples) which cannot be explained from a review of the database. SRK ES considers these both to be anomalous but non-material.

The copper results from OREAS 22d generally performed well, falling within two standard deviations from the certified value. There are however two discrete periods in time where the results were elevated above the two standard deviation value. The most significant over reporting batches correlate to the beginning of the 'blanks' insertion into the sample stream and cover a time frame from December 2014 through to November 2015, during which ALS was the singular laboratory used. A review into the standards performance in these batches shows that this bias is only seen at these low level values and is therefore not material to the economical mineralised zones.

The copper results from CDN-BL-10 show a consistent low value (ignoring the singular anomaly), however due to the copper value not being certified for the material and its inerrant value being clearly above detection limit for the analytical method, the interpretation of these results is limited.

The gold results from both pulped blanks report constantly (84% of results) below detection limit. The samples which did report grades above detection were all under 0.015 ppm/Au (not including the singular anomaly). SRK ES considers the performance of these pulped gold blanks to be good and there is generally little evidence for material sample contamination during the gold analysis.

The blank material used to date has been submitted in a pulped form and will therefore not assess the preparation facilities. Blank sample analysis charts for copper and gold are presented in Figure 11-3, Figure 11-4 and Figure 11-5.

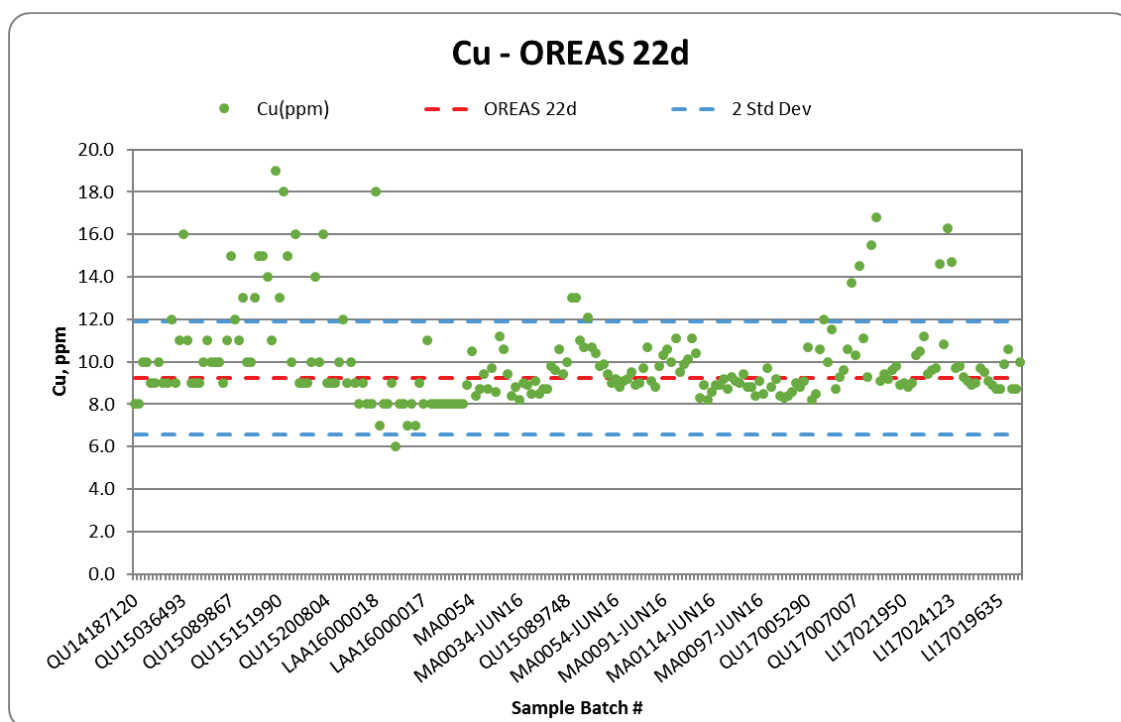


Figure 11-3 Plot of OREAS 22d Blank Assay Results for Copper (ppm) through time

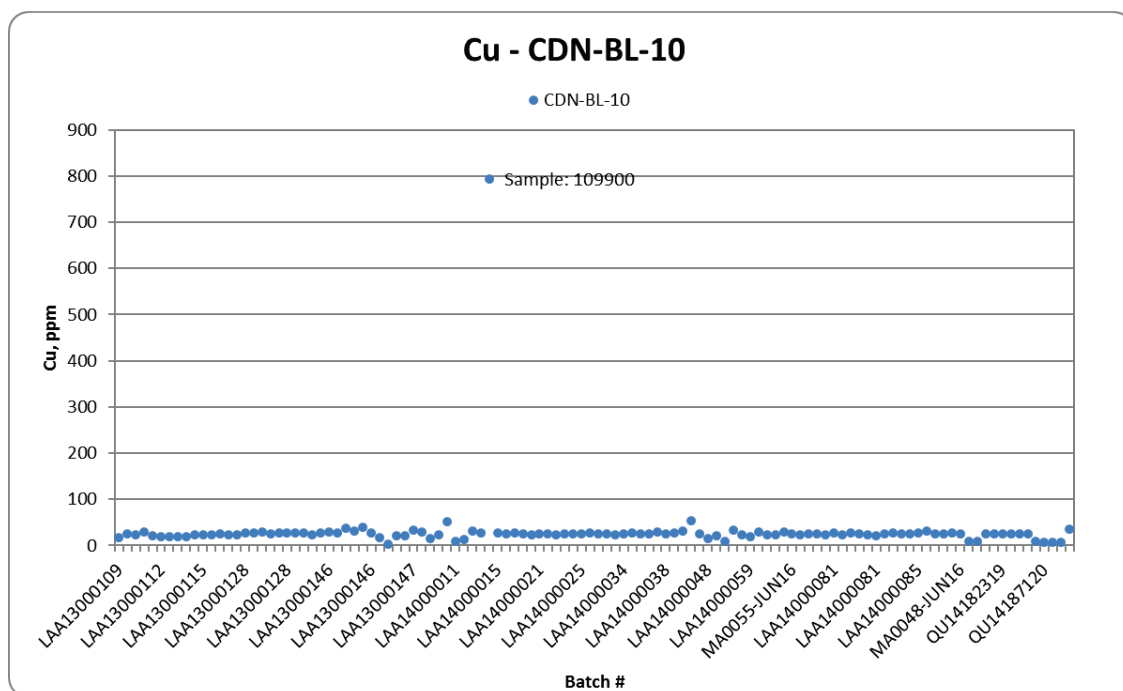


Figure 11-4 Plot of CDN-BL-10 Blank Assay Results for Copper (ppm) through time

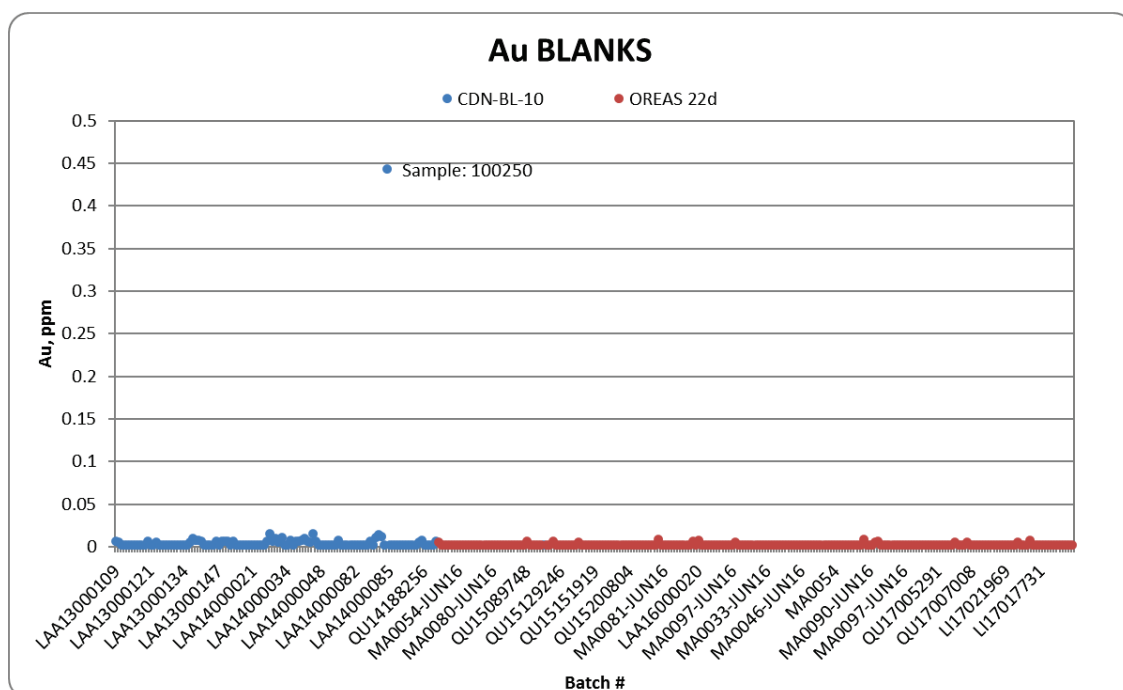


Figure 11-5 Plot of Blank Assay Results for Gold (ppm) through time

Field Duplicates

For intervals of core that are assigned as a field duplicate sample, two ¼ core samples are submitted concurrently to serve as the pair.

To date, 441 field duplicates have been collected, at an average of around 20 per hole, and a

frequency of approximately 3% of the sample stream.

There is a strong positive correlation between the parent and field duplicate assay results for copper and gold. The limited outliers within the gold duplicates is considered to be a reflection of the geological variability and (resultant) heterogeneity of the mineralisation in the drill core. Plots for parent and field duplicate comparisons for copper and gold are presented in Figure 11-6 and Figure 11-7.

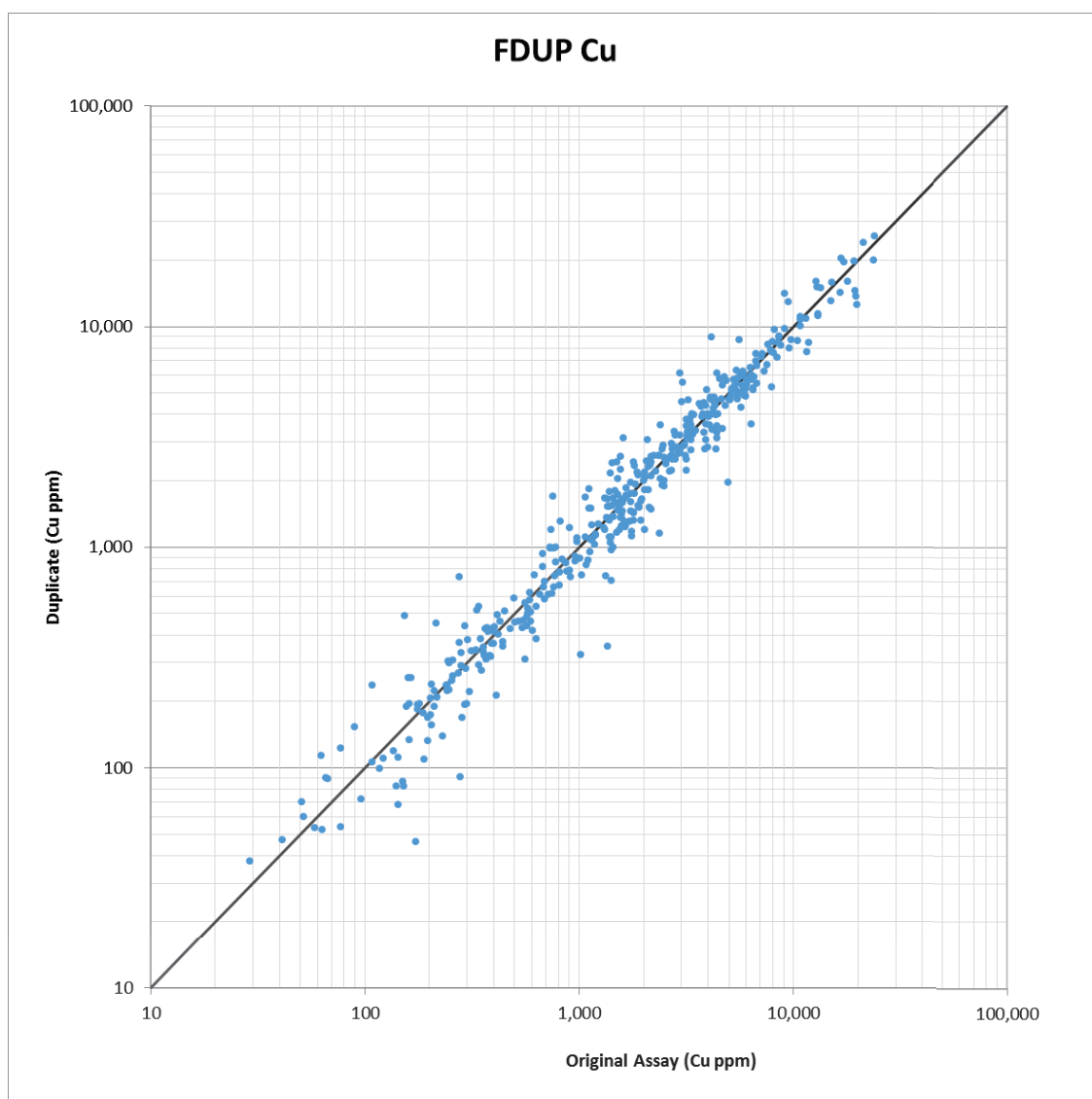


Figure 11-6 Comparison of Parent and Field Duplicate Check Sample Assay Results for Copper (ppm)

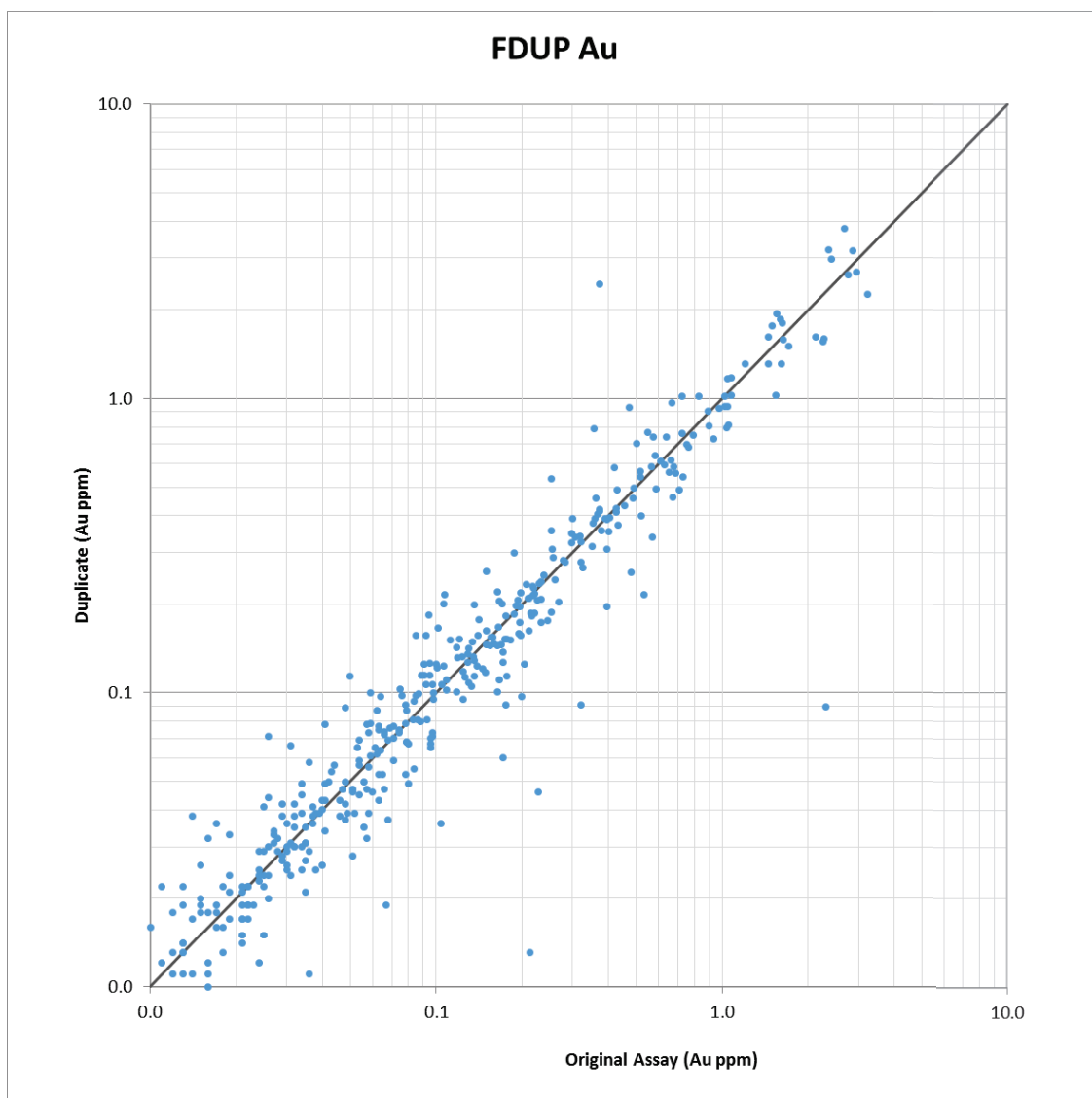


Figure 11-7 Comparison of Parent and Field Duplicate Check Sample Assay Results for Gold (ppm)

11.1.2 Inter-Laboratory Comparisons

ACME vs Met-Solve

A comparison of drill hole sample analysis between ACME and Met-Solve laboratories was conducted by SolGold in May 2016, using samples from drillhole CSD-16-016. The results of the comparison on copper and gold are presented in Figure 11-8, Figure 11-9, Figure 11-10, and Figure 11-11, below.

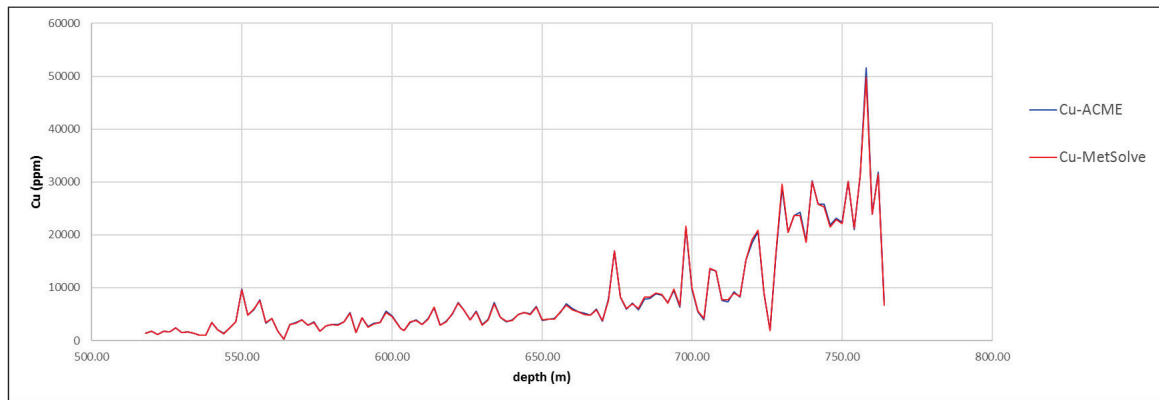


Figure 11-8 Copper (ppm) Assay Comparison between Met-Solve and ACME Laboratories through Drillhole CSD-16-016

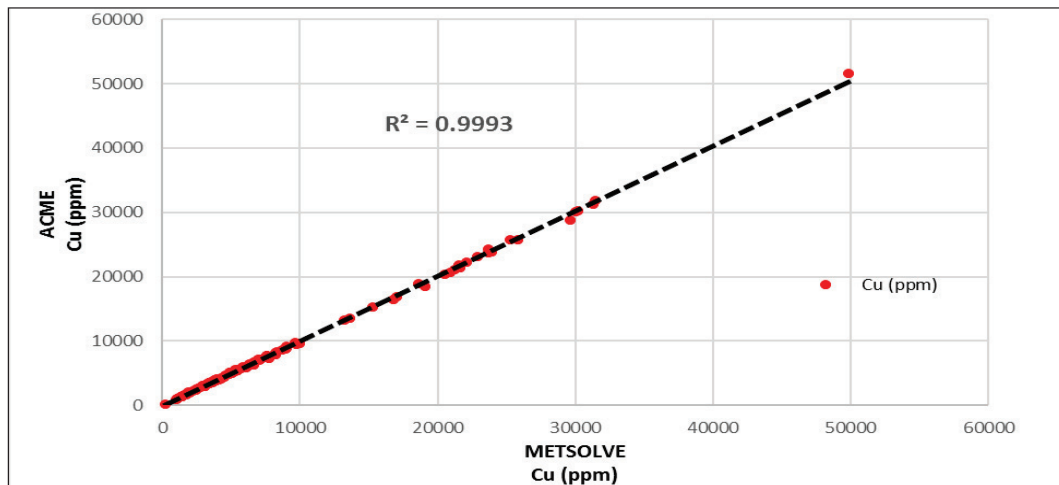


Figure 11-9 Plot of Copper (ppm) Assay Results; ACME vs Met-Solve Laboratories

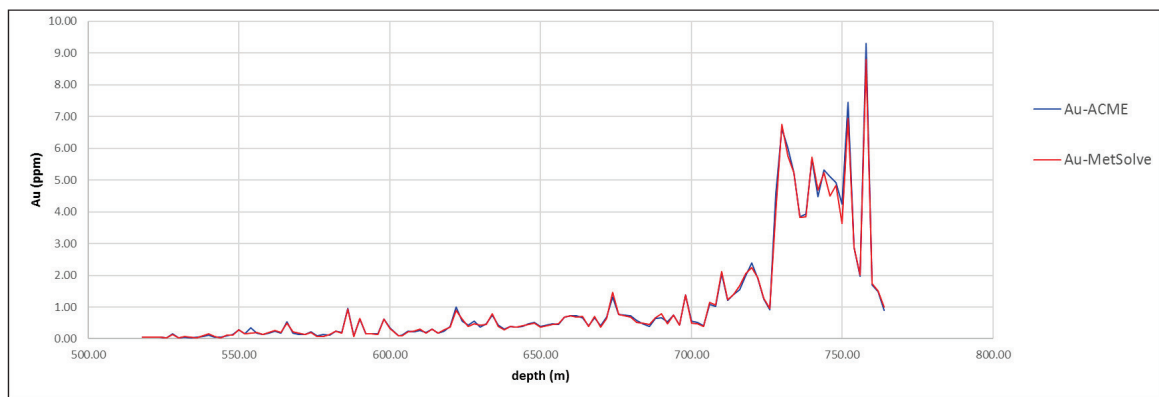


Figure 11-10 Gold (ppm) Assay Comparison between Met-Solve and ACME Laboratories through Drillhole CSD-16-016

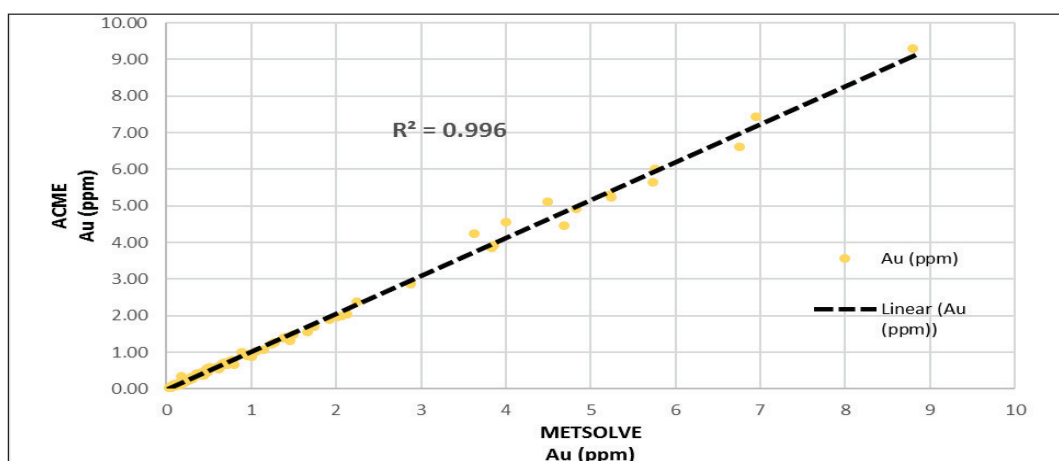


Figure 11-11 Plot of Gold (ppm) Assay Results; ACME vs Met-Solve Laboratories

The outcome of the laboratory comparison illustrates that there is a strong positive correlation between results from ACME and Met-Solve.

11.2 Verifications by SRK ES

11.2.1 Site Visit

In accordance with National Instrument international best practices, James Gilbertson and Fernando Saez from SRK ES and SRK Peru respectively, visited the Cascabel project on 13 June to 17 June 2016 accompanied by Benn Whistler of SolGold.

The purpose of the site visit was to review the digitalization of the exploration database and validation procedures, review exploration procedures, define geological modelling procedures, examine drill core, interview project personnel, and collect all relevant information for the preparation of a 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.

SRK ES was given full access to relevant data and conducted interviews with SolGold personnel to obtain information on the past exploration work, to understand procedures used to collect, record, store and analyse historical and current exploration data.

11.2.2 Verification of Sample Database

Following this technical site visit, SRK ES completed a phase of data validation on the digital sample database supplied by SolGold which included a search for sample overlaps, duplicate or absent samples, anomalous assay and survey results. Following some minor amendments recommended by SRK ES, no material issues were noted in the final sample database.

11.2.3 Structural Data Review

Following their technical site visit, SRK ES carried out an analysis on the drill core structural data from Cascabel following guidelines by R. Holcombe, T. Coughline and N. Oliver, 2013, "Oriented Drill Core: Measurement, Conversion, and QA/QC Procedures for Structural and

Exploration Geologists". This review assessed the quality of these data when illustrating the poles to planes on a stereographic projection. Here any errors will show small circle distributions centred on the drill-hole orientation.

SRK ES's review suggest that 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.

11.3 SRK ES Comments

SRK ES has reviewed the data collection methodologies during the technical site visit, and has undertaken a review of the assay and geology database provided by SolGold.

Assessment of the current QAQC data indicates the assay data for the drilling and sampling to date has appropriate accuracy and precision. SRK ES also conclude that the move to ALS and Met-solve laboratories has improved the sampling precision.

SRK ES has recommended that, with the project at its current level of exploration, the sample QAQC programme is expanded so that the insertion frequency is increased to approximately 15% and that the following are employed:

- CRMs and blanks inserted in a randomised approach;
- Coarse blanks are also utilised to assess potential contamination at the sample preparation facility;
- Pulp duplicates are inserted as well as field duplicates; and
- Periodic check 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.

SRK ES's database validation suggests that SolGold's approach is reasonable and appropriate. Notwithstanding this, SRK ES recommend that, as the project grows in data, a more robust Access based data storage is employed to limit potential human transmission errors.

In relation to drillhole structural data, SRK ES recommends 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. 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 three or four complete runs of core can be well fitted together and the orientation "marks" line up accurately.

12 MINERAL PROCESSING AND METALLURGICAL TESTING

12.1 Introduction

In August 2014, preliminary metallurgical studies were conducted by Bureau Veritas Commodities Canada Ltd., Inspectorate Metallurgical Division in Vancouver on three composite samples taken from drillhole CSD-13-005 at Alpala.

Metallurgical testwork was undertaken in order to study the recovery of copper and gold in the three 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.

12.1.1 Composite Sample Description

The three composite samples have been selected from increasing depth intervals.

Composite 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.

Composite 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.

Composite 3

Composite 3 consist of 24 contiguous, 2 m long samples from CSD-13-005 selected over the interval of 1098 m to 1146 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.

12.2 Test Work Programme Overview

The programme tested three composite samples of various grades and mineralogy as described above and included sample preparation, head assay, ore hardness, grindability, flotation test work and mineralogy. A summary of the test work is presented in Table 12-1.

Table 12-1 Summary of Metallurgical Test work

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		ICP-MS	Assayed for Cu, Au, S, 30-element and whole rock analysis (WRA).
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 Kinetics	Flotation	Scoping level flotation tests on each composite at 3 grind sizes to establish a grind versus recovery basis	Products analysed for Cu, Au, S
Rougher Optimization	Flotation	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, S
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, S to calculate metal and mineral distribution
Mineralogy		Particle Mineral Association Study (PMA) using QEMSCAN (if required)	Mineral composition and deportment, associations, liberation characteristics, effect of primary grind, and size elemental mineral analysis

12.2.1 Summary of Test Results

A summary of the head assay results is presented in Table 12-2.

Table 12-2 Head Assay Results of Composites

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

12.2.2 Grind versus Recovery in the Rougher Circuit

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 (PAX) and methyl isobutyl carbinol (MIBC) as frother were employed. Results are presented in Table 12-3

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. Good copper and gold

rougher recovery results were obtained from all three composites.

Table 12-3 Grind versus Rough Circuit Recovery

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	6.06	9.3	91.7	96.6	63.1
F3	1	74	17	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
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

12.2.3 Rougher Flotation Optimisation Testing

Using an optimum grind size and flotation times from the kinetic testing, additional rougher tests were conducted including studies using different reagent schemes and frother dosages, Table 12-4

The results of the Rougher Flotation optimisation test work are presented in Table 12-5.

The rougher circuit metallurgy remained consistent regardless of the changes in grind, pH and collector dosage indicating that the ore samples are not very sensitive to change or conditions.

Table 12-4 Rougher Flotation optimisation

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

Table 12-5 Rougher Flotation Optimisation results

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

12.2.4 Cleaner Circuit Testing

Using the optimum grind and rougher kinetics parameters, a three stage cleaner circuit test was conducted both with and without a regrind. Details of the cleaner circuit testing can be seen in Table 12-6.

The results of the cleaner circuit test work on the concentrates are summarised in Table 12-7. Tests F16, F17 and F18 did not use a regrind. It was observed that the rougher concentrate from Composite 1 was very fine grained and produced a reasonable final concentrate grade without any regrinding. This is considered to be a function of the mineralogy present in that composite.

Table 12-6 Cleaner Circuit details

Test	Composite	Rougher Circuit Testing Details
F16	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

Table 12-7 Cleaner Circuit Results

Test	Comp	Ro. Con.			Regrind	2 nd 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

12.2.5 SRK ES Comments

Reflecting the current stage of development at the Cascabel Project, only a limited amount of metallurgical test work has been conducted. SRK ES is unaware of any deleterious elements identified in the metallurgical testwork samples that could have a significant effect on potential future economic extraction but this should be further investigated in future testing.

The three composite samples selected for analysis at Inspectorate Metallurgical Division (IMD) have all been sourced from a single drill hole, which has been drilled predominantly in diorite. However, based on the results received so far and IMD's summary of the testing, the overall metallurgy appears promising. The tests show it is possible to get either good concentrate grades or good recoveries but that it may be a trade-off between them. Reducing grind size did not significantly improve recoveries from the rough circuit indicating that a coarser initial grind may be sufficient. The rougher circuit metallurgy results indicate that the ore samples are not very sensitive to change or conditions in grind, pH or collector dosage.

SRK ES recommends that future test work should include a wider variety of representative rock type, mineralisation styles and mineralogy and should target improving grade-recovery. IMD has recommended that the main areas of focus should be to increase the rougher concentrate grade followed by determining factors that will increase the cleaner circuit recovery. Cleaner recovery for a typical porphyry copper should be above 95%, current testing indicates an average cleaner recovery 86.5% for Alpala. SRK ES agrees with IMD and anticipates that both concentrate recovery and concentrate grade may be improved through further studies and refinements to the test work.

IMD recommends concentrating on improving the metallurgy for the "lowest grade" Composite 2 which has a head grade of 0.67% Cu. Once the flotation parameters are established for this sample, they can readily be applied to the other composites. It is recommended to start with increasing the rougher concentrate grade while maintaining a very good recovery. The higher rougher concentrate grade will translate into better cleaner circuit metallurgy. Following this, the cleaner circuit recovery and final concentrate grade should be improved.

13 MINERAL RESOURCE ESTIMATE

The mineralised system at Alpala is considered by SolGold to be extensive and the system limits not yet been fully drill tested and assessed. As such SolGold has not yet published a Mineral Resource statement as they do not consider it appropriate to calculate a maiden resource estimate on the system until the entire mineralised system is adequately defined. Therefore, there are no defined Mineral Resources of Ore reserves for the project at this time.

SolGold are scheduling additional drilling to define the extents of the mineralisation over the next 6 to 12 months using 3-5 drilling rigs. SolGold is targeting extensions to the mineralisation discovered to the North East, South East and South West prior to calculation and release of the maiden Mineral Resource.

In addition, SolGold aim to develop Mineral Resources at the Aguinaga, Tandayama – America, Trevino, and Moran targets over the next two years of exploration.

14 PROJECT INFRASTRUCTURE

Other than the roads connecting the project site to Quito and onwards to the coast, there is no infrastructure in the Cascabel licence.

15 ENVIRONMENTAL STUDIES, PERMITTING AND SOCIAL OR COMMUNITY IMPACT

SRK ES have been informed that SolGold hold all necessary permits to conduct their exploration programmes. SolGold initiated their environmental and social management programmes in 2012. The Environmental Licence for the Cascabel project required for drilling was received from the Environmental Ministry (MAE) on 27 August 2013. Since 2013, SolGold has continued to expand and build on those programmes.

SolGold has assigned US\$ 752,000 to social and environmental works which equates to 1% of its SolGold's total current exploration budget of US\$32.2M.

Additional environmental licences will be required ahead of any future mine development and operation.

16 ADJACENT PROPERTIES

SRK ES understand through industry databases and the Ecuador Mining Cadastre that a number of licence applications are currently pending for areas surrounding the Cascabel Project, Figure 22-1. Two of these applications have been made by Exploraciones Novomining S.A. (85% owned by SolGold, 15% by Cornerstone Resources) which lie immediately to the northwest and southeast of the Cascabel property. Other applicant includes Enami EP, Carnegie Ridge Resources, La Plata Minerales and Exploraciones Mineras Andinas.

Enami EP (Empresa Nacional Minera del Ecuador), the Ecuador National Mining Company has an application pending for the area immediately to the southwest of the Cascabel Project.

SRK ES has not been able to identify any information published by Enami, Carnegie Ridge Resources or La Plata Minerales on their activities in the area.

Exploraciones Mineras Andinas is jointly owned by Codelco, La Corporación Nacional del Cobre de Chile and la Sociedad de Inversiones Copperfield Ltda. SRK ES has not been able to identify any information on exploration activities undertaken in the licences area.

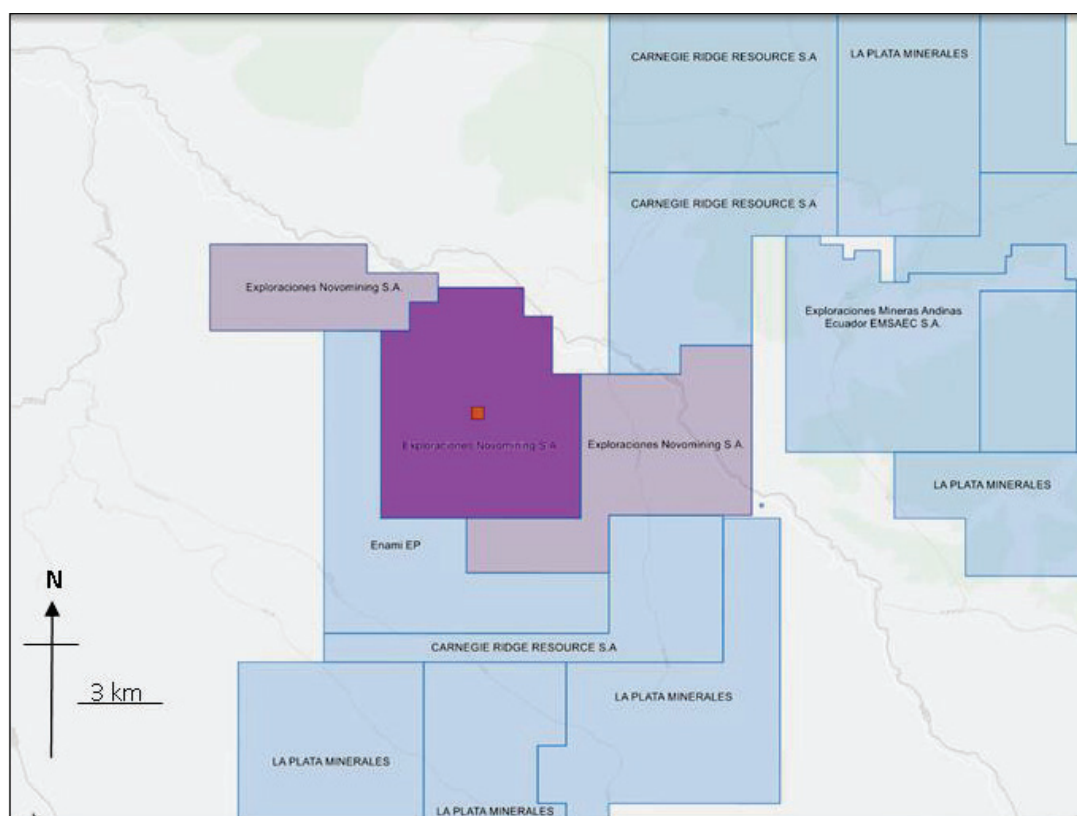


Figure 16-1 Adjacent Properties under Application to the Cascabel Project (SNL Database, December 2016)

17 INTERPRETATION AND CONCLUSIONS

17.1 Conclusions

The Cascabel Project, operated by SolGold, is situated along the western foothills of the Cordillera Occidental of northern Ecuador and within the Western Tectonic Realm that has been affected by magmatism associated with the subduction of the flat-lying buoyant Carnegie Ridge. The licence hosts numerous porphyry centres interpreted from airborne geophysical surveys as well as distinct molybdenum, copper/zinc and manganese soil geochemical anomalies and surface kaolinite and paragonite alteration halos. The most pronounced of these is the Alpala cluster and Aguinaga.

SRK ES consider the Alpala prospect (or Alpala cluster), within the Cascabel Project, an Advanced Exploration Property that has demonstrated 3D continuity of economic grade copper/gold mineralisation through a core drilling and surface channel sampling programme. Alpala hosts a high grade copper gold porphyry deposit centred on the confluence between a northeast and northwest striking structural trend. Alpala has been the focus of deep diamond core drilling since September 2013. This has resulted in a total of 26,830 m from 23 drillholes to date. Due to access and drill rig capabilities, many of these holes have intersected the mineralisation at a high angle; not uncommon during initial drilling of a body the shape and form of a porphyry deposit; and the true width of the mineralisation is yet to be fully tested and remains open. This is the target for the current round of drilling.

This drilling has defined six main equigranular to sub-porphyritic, hornblende-bearing intrusions that are narrow, taper upwards and exhibit four types of porphyry-related vein types. Chalcopyrite and bornite precipitation are associated with the B-vein series with distinct mineralisation also observed in the later C-veins. These six intrusions are hosted by a sequence of andesitic volcanoclastic rocks and lavas and are cut by late-mineralisation diorite and a series of low volume post mineralisation tonalities.

Copper and gold mineralisation is most prolific in the D10 diorite to microdiorite and QD10 quartz diorite bodies. These bodies and the associated zone of intense B-veins, form a steeply dipping northwest elongated tapered tongue-shaped body. Key mineralised intersections include from the Phase 1 drilling:

- 1312 m at 0.67% Cu and 0.63 g/t Au in CSD-15-012
- 1088 m at 0.66% Cu and 0.89 g/t Au in CSD-14-009
- 1145 m at 0.48% Cu and 0.63 g/t Au in CSD-16-016
- 1306 m at 0.62% Cu and 0.54 g/t Au in CSD-13-005
- 1338 m at 0.49% Cu and 0.36 g/t Au in CSD-16-015R2
- 948 m at 0.60% Cu and 0.53 g/t Au in CSD-16-017

The observed mineralisation remains open in all directions and may be spatially related to other interpreted porphyry centres along the same northwest trend. The host intrusion may also be related to the interpreted intrusive bodies below the Aguinaga anomaly. SRK ES believe that there is reasonable potential for the mineralisation extent to increase following further exploration drilling.

SRK ES have reviewed the exploration processes and the channel and core sampling procedures and consider them to be of industry standard and have made a number of recommendations to optimise these practises as the project develops further. SRK ES have also audited the exploration and sample database held by SolGold and consider this robust and can be relied upon for future Mineral Resource estimation.

Initial metallurgical testing has all been sourced from one drillhole but has indicated that good recoveries can be expected (96.5% to 98.8% Cu and 91.5% to 95.3% Au) but that a trade off with concentrate grade may exist.

Further exploration should be concentrated on the Alpala prospect and as such SolGold are currently proceeding with the second core drilling programme that is aimed at extending and infilling the Alpala deposit both along strike (to include Alpala Northwest and Alpala Southeast) and down-dip through the use of stepped out and deeper wedged drilling which SRK ES concur with. SRK ES recommend that this work should also include the production of a maiden Mineral Resource estimate and further, more detailed metallurgical testing on a selection of mineralised units. This testwork should also assess the potential for any significant deleterious elements during future processing.

Looking towards future development and mine operation, SolGold will require additional environmental licences but SRK is unaware of any significant risk of this not being achieved.

The exact economic conditions required to permit operation are not as yet understood and will only become clear upon the completion of a Pre and full feasibility study.

17.2 Risks and Opportunities

SRK ES is not aware of any significant risks and uncertainties that could be expected to affect the reliability or confidence in the exploration information discussed herein.

As with all mineral projects, there is an inherent risk associated with mineral exploration. As such, there is a risk that exploration will not result in material being included in a future resource or reserve estimate. However, SRK are confident that an economic resource can be classified following the collation of the current and future drill data. The potential for this to be converted to a reserve however, will only become evident following a the completion of a Pre-feasibility study.

18 RECOMMENDATIONS

18.1 Introduction

This report supports the continued exploration at Cascabel. SolGold are actively drilling and conducting other exploration programmes across the Cascabel licence and have defined an internal working schedule and budget for the continued exploration drilling of multiple prospects through to 2021. SRK ES have reviewed this programme and consider the input into this to be reasonable and recommend that for the next phase of exploration SolGold conduct a maiden Mineral Resource estimate and concentrate their exploration efforts at Alpala, the adjoining anomalies (the Alpala cluster) and Aguinaga on a results-driven basis.

Using SolGold's schedule and budget, SRK ES have here outlined the next phase of exploration starting from the end of 2016 and taking the project up to the end of 2018. This phase will bring SolGold up to the next decision point and involve continued mapping, soil and channel sampling, further airborne geophysics, topographical surveying and an additional 99,000 m of core drilling. It should also include further metallurgical testing and Mineral Resource estimate updates.

18.2 2017-2018 Exploration Phase

18.2.1 Surface Exploration

SRK ES recommend to continued surface geological mapping as well as soil and channel sampling across the Cascabel licence to gain better knowledge of the anomalies, the surface mineralisation, alteration and the hosting geology.

18.2.2 Geophysics

Continued ground magnetics surveys are scheduled to continue through 2017. SRK ES concur with this plan.

18.2.3 Topographical Surveying

A LiDAR (Light Detection and Ranging) survey is scheduled for 2017. This will allow for a much better understanding of the local topography and will accurately position all current and future drillhole collars.

18.2.4 Drilling

SRK ES recommend that current and future drilling budgets are concentrated on the Alpala group of prospects and its definition towards a maiden Mineral Resource estimate and ultimate Prefeasibility study.

The proposed 2017/2018 exploration phase has 75% of core drilling targeted at Alpala. The man-portable drill rigs are scheduled to continue to define the mineralised body through sub vertical drillholes, while the current Major Drilling tracked drill rig, as well as up to a further three tracked drill rigs, will conduct fan drilling through a series of deep holes (Rig 5 and 6 shown in Figure 18-1) and wedged splays on targeted levels on a 200 m vertical spacing, Figure 18-2.

Other prospects to be targeted during this next phase of drilling are Aguinaga, the Trivinio to Moran trend and Tandayama-America prospect, Table 12-1.

Table 18-1 Proposed Drilling Metreage by Prospect, 2017-2018 Exploration Phase

Programme/Prospect	Meters	Percentage
Alpala Cluster Drillout	74,625	75%
Aguinaga Phase 1	6,375	6%
Trivinio - Moran Phase 1	13,875	14%
Tandayama-America-Chinambicito	4,125	4%
GRAND TOTAL	99,000	100%

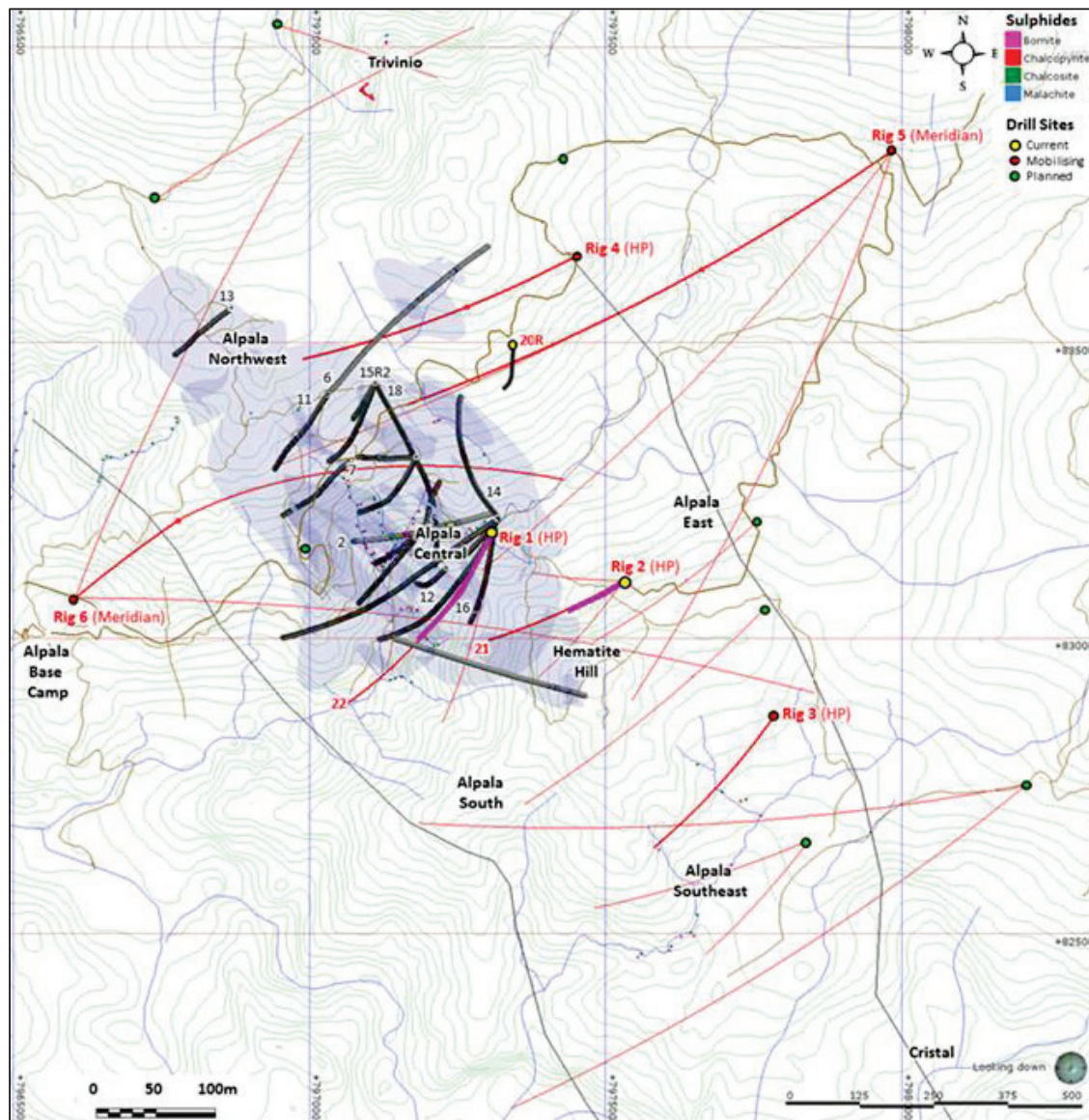


Figure 18-1 Proposed Deep Infill Drilling (red trace) at Alpala Central (Source: SolGold)

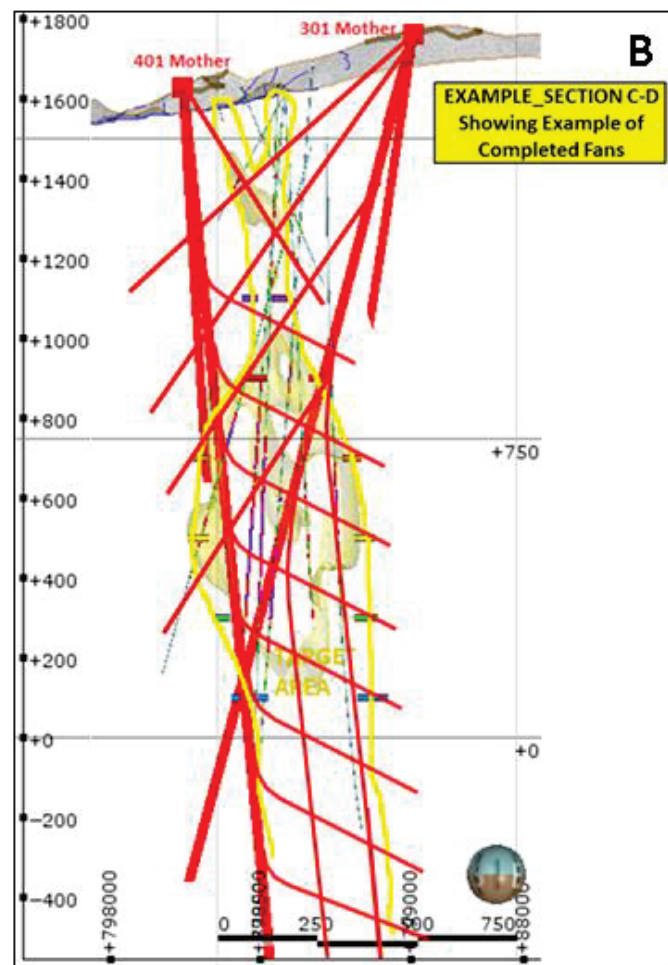


Figure 18-2 Schematic Section Showing Wedged Drilling at 200 m Spacing

18.2.5 QAQC

Based upon their review, SRK ES would recommend that the current QAQC procedures are expanded and that an ongoing review is undertaken on a batch by batch basis.

In addition to the QAQC measured currently in place SRK ES would further recommend the insertion of a coarse blank material (ideally sourced locally) to act as a check measure against contamination during the sample preparation.

18.2.6 Structural Interpretation

SRK ES would recommend that all future drill core be carefully orientated and audited. Following this, a more detailed structural analysis should be conducted to define small scale structural controls on mineralisation that could have exploration implications. This study would also assess geotechnical and geometallurgical controls that can be utilised in future mining studies.

18.2.7 Mineral Resource Estimate

SRK ES believe that sufficient information and detail exists to conduct a maiden Mineral Resource estimate over the Alpala Central prospect. This could be used to further assist SolGold in future deep drilling targeting and understanding the grade distribution within the

body.

Mineral Resource updates should be conducted at the end of this proposed exploration phase.

18.2.8 Budgets

Based on SolGold's internal schedule, SRK ES have constructed a working budget from this phase of work which equates to US\$32.2M. It has been put together under a number of assumptions as well as actual contract quotes and costs. This has been reviewed by SRK ES and found to be reasonable. The summary budget is provided in Table 18-2.

In addition, SRK ES have recommended advanced study work be undertaken to include a preliminary economic assessment ("PEA"). As such SolGold, in discussion with SRK ES, have calculated a budget in region of US\$500,000 be put aside to undertake this work.

Table 18-2 18-month summary Budgets for the 2017-2018 Exploration Phase at Cascabel

Descriptions	Total Cost (US\$)	Percentage
Exploration Costs		77%
<i>Core Drilling</i>	16,764,000	52%
<i>Assaying</i>	2,117,000	7%
<i>Geophysics</i>	285,000	1%
<i>Consulting</i>	294,000	1%
<i>Other Associated Costs</i>	5,315,000	16%
Administration	1,773,000	5%
Social and Environmental	579,000	2%
Land Management and		
Access	774,000	2%
Transport	57,000	0%
Staffing	4,129,000	13%
Other Services	204,000	1%
GRAND TOTAL	32,290,000	100%

Note: Appropriate rounding of figures

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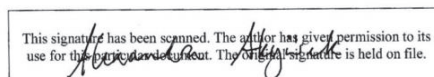
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For and on behalf of SRK Exploration Services Ltd



James Gilbertson,
Managing Director,
SRK Exploration Services Ltd
Date: 15/02/2017



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Alexandra Akyürek,
Principal Consultant (Geology),
SRK Exploration Services Ltd
Date: 16/02/2017

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PART III
FINANCIAL INFORMATION

PART A
CAPITALISATION AND INDEBTEDNESS OF THE COMPANY

The following table sets forth our cash and cash equivalents and capitalisation of the Group and the indebtedness of the Group as at 31 May 2017.

	<i>31 May 2017</i>
	<i>\$</i>
<i>(in thousands of AUD)</i>	
Cash and cash equivalents	40,400
Cash	40,400
Cash equivalents	—
Restricted cash	—
Total current debt	—
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total non-current debt	—
Guaranteed	—
Secured	—
Unguaranteed/unsecured	—
Total debt	—
Shareholders' equity	
Share capital	170,623
Available for sale financial asset reserve	3,709
Share option reserve	9,232
Foreign currency translation reserve	1,144
Non-controlling interest reserve	(67)
Accumulated losses	(80,488)
Non-controlling interest	(53)
Total equity	104,100
Total capitalisation¹	104,100

The following significant changes in the capitalisation and indebtedness and operating position of the Group have occurred since 31 May 2017¹:

- the issue of 3,340,000 Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement;
- the exercise of employment Options raising gross amounts of £122,025, £420,000, £184,800 and £546,000 respectively; and
- the issue of 78,889,080 Ordinary Shares pursuant to the Placing.

¹ Total capitalisation is the sum of total debt and total equity.

PART B

OPERATING AND FINANCIAL REVIEW

This discussion and analysis ("OFR") is the Directors' assessment of the results and financial condition of the Company and should be read in conjunction with the 2016 Financial Statements and 2015 Financial Statements and the notes thereto, which are contained in Appendices B and C of this document. The financial statements have been prepared in accordance with IFRS.

The Directors are responsible for the preparation of the financial statements and this OFR. Unless otherwise stated, all amounts discussed in this OFR are denominated in Australian dollars.

This OFR includes certain statements that may be deemed forward-looking statements. All statements in this OFR, other than statements of historical facts, that address exploration drilling, exploration activities and events or developments that the Company's expects are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and readers are cautioned that actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in the forward-looking statements include market prices, exploration, continued availability of capital and financing and general economic, market or business conditions.

This OFR has been prepared as of 31 December 2016 and all information is current as of such date.

Description of Business

The Company is a Brisbane based exploration company that carries a diverse portfolio of exploration projects in Ecuador and Australia. The Company has been focused on exploring the riches of the Andean Copper Belt in Northern Ecuador since 2012. The Cascabel Project is the Company's flagship project and drill hole CSD-14-009 at the Alpala deposit returned results comparable to the larger copper porphyry projects in operation around the world, with 1312m grading 0.63 per cent. copper and 0.67 g/t gold for 1.23 per cent. Copper Equivalent.

The Board includes accomplished professionals with strong track records in the areas of exploration, mine development, investment, finance and law. The Board and senior management have significant vested interests in the Company. The Company is listed on the London Stock Exchange's main market for listed securities under the code 'SOLG' and on the TSX under the code 'SOLG'.

Results of Operations

The financial year ended 30 June 2016 compared with the financial year ended 30 June 2015

Overall Performance

As at 1 July 2015, exploration tenements/concessions held by the Company totalled 14 claims. During the financial year ended 30 June 2016, a number of exploration tenements/concessions were relinquished, leaving the Company with 7 exploration tenements in Australia and 1 exploration concession in Ecuador.

Operating Results

The Company incurred a loss before tax of \$5,723,122 and loss per share of 0.7 cents per share for the financial year ended 30 June 2016 compared to a loss before tax of \$4,238,661 and loss per share of 0.6 cents per share for the financial year ended 30 June 2015. Expenses incurred during the financial year ended 30 June 2016 was \$5,723,707 compared to \$4,249,231 for the financial year ended 30 June 2015. The increase of \$1,474,476 over the prior year was due to a number of factors, the most notable of which are:

Exploration costs written-off was \$1,555,004 for the financial year ended 30 June 2016 compared to \$1,175,172 for the financial year ended 30 June 2015. Exploration costs written off during the financial year ended 30 June 2016 represents deferred exploration assets written off for exploration tenements/concessions that were relinquished in Australia and Ecuador. Exploration costs written off during

the financial year ended 30 June 2015 represents impairment provisions recognised with respect to the Company's Australian exploration projects. Whilst the Company believes these Australian exploration projects still hold significant potential, given the continued poor markets for joint venturing these projects, it was decided to recognise an impairment provision against these projects. However, if a suitable joint venture partner can be found to fund these exploration projects in Australia, the impairment charge recognised during the financial year 30 June 2015 will be reversed.

Administrative was \$2,553,010 for the financial year ended 30 June 2016 compared to \$3,066,982 for the financial year ended 30 June 2015. The decrease in administrative expenses of \$513,972 is largely due to the reduction in staff costs due to the Company's previous CEO and Managing Director resigning and this role and responsibility borne by the Company's Executive Director and a reduction in marketing and promotion expenses due to the reduced number of mining conferences attended in 2016.

Movement in fair value of derivative liability was \$1,378,260 for the financial year ended 30 June 2016 compared to \$nil for the financial year ended 30 June 2015. The increase in movement in fair value of derivative liability represents the difference between the conversion value and the amortised cost of the convertible notes issued to the Company's major shareholders DGR Global and Tenstar, as calculated in accordance with the provisions of International Accounting Standards ("IAS") 39, Financial Instruments, Recognition and Measurement. There were no such financial instruments on issue during the financial year ended 30 June 2015.

Finance costs were \$237,433 for the financial year ended 30 June 2016 compared to \$7,077 for the financial year ended 30 June 2015. The increase in finance costs of \$230,356 is due to the short term funding provided by DGR Global and interest paid and payable on the convertible notes during the financial year ended 30 June 2016.

The operating variances for the period are:

	2016	2015	Variance
	\$	\$	\$
<i>For the financial year ended 30 June</i>			
Revenue	—	—	—
Cost of sales	—	—	—
Gross profit	—	—	—
Other income	—	—	—
Expenses			
Exploration costs written-off	(1,555,004)	(1,175,172)	(379,832)
Administrative	(2,553,010)	(3,066,982)	513,972
Movement in fair value of derivative liability	(1,378,260)	—	(1,378,260)
Operating loss	(5,486,274)	(4,242,154)	(1,244,120)
Finance income	585	10,570	(9,985)
Finance costs	(237,433)	(7,077)	(230,356)
Loss before tax	(5,723,122)	(4,238,661)	(1,484,461)
Tax expense	—	—	—
Loss for the year	<u>(5,723,122)</u>	<u>(4,238,661)</u>	<u>(1,484,461)</u>

Other Comprehensive Income (Loss)

For the financial year ended 30 June 2016, the Company had a total comprehensive loss of \$4,483,698 compared to \$5,125,505 for the financial year ended 30 June 2015. The decrease in total comprehensive loss was due to the following:

Change in fair value of available for financial assets was a gain of \$190,610 for the financial year ended 30 June 2016 compared to a loss of \$2,045,919 for the financial year ended 30 June 2015. The change year on year represents the mark to market adjustments that the Company makes on its investment in Cornerstone. The share price of Cornerstone at 30 June 2016 was C\$0.05 per share compared to C\$0.04 per share at 30 June 2015 and C\$0.14 per share at 30 June 2014.

Exchange differences on translation of foreign operations representing the gain or loss recognised on translating ENSA's financial statements was a gain of \$1,048,814 for the financial year ended 30 June 2016 compared to a gain of \$1,159,075 for the financial year ended 30 June 2015. The average exchange rate used to translate ENSA's financial statements for the year ended 30 June 2016 from United States dollars to Australian dollars was 1.3725 compared to 1.19 for the financial year ended 30 June 2015.

Financial Position

Total assets at 30 June 2016 were \$43,500,102 compared to \$32,696,986 at 30 June 2015 representing an increase of \$10,803,116 from the previous financial year as a result of the continued exploration at the Cascabel Project.

Current assets decreased by \$174,633 as a result of a decrease in cash by \$226,507 offset by an increase in other receivables and prepayments representing mainly recoverable taxes such as the goods and services tax in Australia and valued added tax in the UK.

Non-current assets increased by \$10,977,749 mainly in intangible assets representing deferred exploration assets with \$10,563,091 of the increase related to the exploration expenditure incurred at the Cascabel Project during the financial year ended 30 June 2016.

Current and total liabilities at 30 June 2016 were \$8,518,765 compared to \$2,338,446 at 30 June 2015 representing an increase of \$6,180,319 from the previous financial year. The significant change in comparison to the previous financial year is due to the Company executing a short term loan with DGR Global during the financial year ended 30 June 2016 with a balance of \$4,776,404 outstanding at year end. No such loan was in existence at 30 June 2015. In addition, trade and other payables increased by \$1,403,915 due to the general slowdown on the payment of creditors until the Company had formalised and executed a capital raising plan post 30 June 2016.

Financings

During the financial year ended 30 June 2016, the Company issued the following equities:

- On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in Ecuador and Queensland, Australia.
- On 7 March 2016, the Company issued an additional 80,909,257 shares at £0.023 to raise \$3.5 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in Ecuador and Queensland, Australia.
- On 7 March 2016, the Company issued an additional 50,271,739 shares at £0.023 to extinguish both DGR Global and Tenstar convertible notes.

In addition to the above equity raisings, the Company executed a short-term unsecured loan agreement with DGR Global to provide up to \$7 million in funding for the period through to 31 December 2016 for the Company's likely future short-term working capital requirements. The loan was drawn down to \$4,776,404 at 30 June 2016. The loan bears interest of 9.5 per cent. per annum and is repayable by the Company on the earlier of any capital raising event, or 31 December 2016. Interest accrued on the loan is only payable on the repayment date.

Selected Financial Data

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

<i>Year ended 30 June</i>	<i>2016</i> \$	<i>2015</i> \$	<i>2014</i> \$
Operations			
Loss for the year after tax	(5,723,122)	(4,238,661)	(4,831,216)
Total comprehensive income (loss) for the year	(4,483,698)	(5,125,505)	(3,055,438)
Total comprehensive income (loss) for the year attributable to:			
– Owners of the parent company	(4,383,728)	(5,258,040)	(3,055,438)
– Non-controlling interest	(99,970)	132,535	–
	<u>(4,483,698)</u>	<u>(5,125,505)</u>	<u>(3,055,438)</u>
 Basic and diluted loss per share (cents per share)	 <u>(0.7)</u>	 <u>(0.6)</u>	 <u>(0.8)</u>
Balance Sheet			
Working capital (deficit)	<u>(8,220,663)</u>	<u>(1,865,711)</u>	<u>4,872,268</u>
Total assets	43,500,102	32,696,986	30,356,229
Total liabilities	<u>8,518,765</u>	<u>2,338,446</u>	<u>787,301</u>

The Company prepares its consolidated annual financial statements in accordance with IFRS.

Exploration and Evaluation Assets

Total capitalised expenditures on exploration and evaluation assets as at 30 June 2016 were \$41,079,914 compared to \$30,748,723 at 30 June 2015. Exploration expenditure of \$11,886,195 was incurred during the financial year ended 30 June 2016 compared to \$10,472,446 during the financial year ended 30 June 2015. An impairment charge of \$1,555,004 (2015: \$1,175,172) was recognised for exploration expenditure associated with tenements that were surrendered or lapsed in the financial year ended 30 June 2016.

The Company's expenditures on exploration and evaluation assets for the year ended 30 June 2016 by project area were as follows:

Ecuador

The Cascabel Project is a porphyry copper- gold deposit located in the Imbabura province of northwest Ecuador. It lies, an easy 3-hour drive north of Ecuador's capital city, Quito. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. Topography rises from elevations of 900 metres to 2,100 metres and the moderate to steep landscape is incised by four large drainage complexes. A first-order paved highway provides year-round access and crosses the north-east corner of the concession.

The Cascabel Project is the Company's flagship project and shows significant potential of hosting an economic resource. To date at Alpala, 227,061.34m of drilling has been completed for 22 drill holes of which 18 have hit the Alpala deposit. Drill hole CSD-14-009 at the Alpala deposit returned results comparable to the larger copper porphyry projects in operation around the world, with 1312m grading 0.63 per cent. copper and 0.67 g/t gold for 1.23 per cent. Copper Equivalent.

Exploration activities during the financial year ended 30 June 2016 included:

- Anaconda style geological mapping in key areas.
- Exploration reconnaissance mapping and sampling across the mineralised corridors identified.
- Extension and infill soil sampling across the remaining prospective portion of the tenement. Rock-saw channel sampling at Alpala, Alpala Southwest, Alpala South, Trivinio and Moran prospects.
- Re-modelling of constrained heli-magnetic, Orion 3DIP and magneto-telluric ("MT") surveys at Alpala and Aguinaga using data collected from magnetic susceptibility of drill core.
- Diamond drilling of drill holes 12 to 17 at Alpala, for a total of 16,848.7m, bringing the total for metres drilled at Cascabel to 24,242.5m.
- Upgrade and expansion of the Alpala field camp and the Rocafuerte field office.

- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralisation styles, paragenesis, and alteration types.
- Mineragraphy and metallurgical scoping work.
- Spectral alteration mapping on soil gridding across the tenement, and follow-up deep auger mapping, further refining targets identified.
- Ongoing environmental management over the concession area in line with guidelines provided by the Ministry of Environment.
- Submission of annual technical and environmental management reports.
- Preparation for ground-magnetic survey in January 2017.
- Preparation of Deep 3D SPARTAN-ORION IP Geophysical survey across the majority of the tenement area.
- Preparation of Independent Technical report on the Cascabel Concession is in preparation under National Instrument 43-101 and accompanying Documents 43-101F1 and 43-101CP by SRK Exploration in preparation for listing on the Toronto Stock Exchange (TSX) in early 2017.

Exploration to date has defined fourteen priority target areas across the tenement. Eight high priority targets are identified at Alpala, Hematite Hill, Alpala Southeast, Cristal, Trivinio, Moran, Tandayama-America and Aguinaga are planned for drill testing as up to seven diamond drill rigs advance the project over the coming year. Detailed reconnaissance and follow-up field programs continue to assess potential of the 14 possible porphyry centres identified to date, as well as exploring for new outcrops and prospects. Drilling thus far, has focussed on drilling the Alpala Deposit with 3 drilling rigs. The coming quarter will see a fourth rig entering the Alpala resource drill out and drill testing of the Alpala Southeast area.

Queensland Projects (Australia)

There was no exploration activity on the projects in Queensland during the financial year ended 30 June 2016. 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.

Exploration Outlook

The focus of the Company during the financial year ending 30 June 2017 will be to continue exploration on its Cascabel Project.

Cascabel Project (Ecuador)

To date the Company has completed geological mapping, 25 km² of soil sampling, 14 km² and an additional 9 km² Induced Polarisation and Magnetotelluric "Orion" surveys over the Alpala cluster and Aguinaga targets respectively. By 30 June 2016, the Company had also completed over 23,700m of drilling and expended a total of approximately US\$33m on the program, corporate costs and investments into Cornerstone. Intense diamond drilling is planned for the next 12 months with five diamond drilling rigs over the coming quarter and increasing to a total of seven drilling rigs by September 2017.

Cascabel is characterised by fourteen (14) identified targets, very significant drilling intersections over 1km in length, and high copper and gold grades, as well as logistic advantages in location, elevation, water supply, proximity to roads, port and power services and a progressive legislative approach to resource development in Ecuador. To date, the Company has only drill tested one of the 14 targets, being Alpala.

The Alpala porphyry copper-gold deposit is a recent discovery resulting from drilling of seventeen diamond core holes over a 900 m by 400 m area, that has defined a northwesterly-trending, steeply northeast-dipping dike-stock complex of diorite to quartz diorite that exceeds 1500 m in height.

This intrusive complex is hosted by a sequence of andesitic volcanoclastic rocks and lavas. The host-rocks are interpreted to be part of the Paleocene to Late Eocene Macuchi Formation (BGS-CODIGEM, 1997; Cruz, 2007). The best drill intercept to date is 1312 m at 0.67 per cent. Cu and 0.63 g/t Au from 128 m

depth in CSD-15-012, which includes 576 m at 1.03 per cent. Cu and 1.19 g/t Au. The deposit remains open at depth, along- and across-strike.

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-porphyritic, hornblende-bearing intrusions are narrow, taper upwards and consist of pre- to early-mineralization D10 diorite to microdiorite and QD10 quartz diorite; intra-mineralization D15 diorite and QD15 quartz diorite; and late-mineralization dikes of D20 diorite and QD20 quartz diorite. Radiometric U-Pb SHRIMP dates on zircons return 39.4 ± 0.6 Ma (2σ) for the early mineralization QD10 quartz diorite intrusion and 38.7 ± 0.6 Ma (2σ) for a late-mineralization QD20 dike (Armstrong, 2015 and 2016), which lie near the boundary of the Middle- to Late-Eocene. 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). Early-stage, minor and wavy AB-type quartz veins deficient in sulfide minerals are followed by magnetite (M) veinlets. Planar and through-going, B-type quartz veins cross-cut the early vein types and consist of quartz-magnetite-chalcopryrite. At least two stages of B-type veins are recognized, with magnetite more abundant in early B1 veins and chalcopryrite more common in the later B2 veins. The B-type veins contain the majority of the copper and gold in the deposit. Chalcopryrite-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 chalcopryrite, 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. A Re-Os date determined by a commercial laboratory on molybdenite in a D-type pyrite-chalcopryrite-bearing anhydrite-quartz vein that cuts a late-mineralization D20 diorite dike indicates 38.6 ± 0.2 Ma (2σ).

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 sulfide mineral observed in drill-core consists of chalcopryrite in B-type veins. Chalcopryrite 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 chalcopryrite in C- and D-type veins, which suggest that these later-stage veins formed at a lower temperature and a higher sulfidation state than chalcopryrite 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 per cent. to 85 per cent. Au) that range from 1 to 50 microns in diameter (Muhling, 2014 and 2015). The electrum grains occur within chalcopryrite, bornite, pyrite and rarely quartz and anhydrite.

The Company will drill test other key targets within the Cascabel Concession at Hematite Hill, Alpala Southeast, Cristal, Trivinio, Moran, Tandayama-America, Aguinaga Alpala Northwest, Parambas, Carmen and Chinambicito. The Company is progressing further metallurgical testing by the end of 2016, and completion of a conceptual early stage mine and plant design and a scoping study for an economic development at Cascabel. The Company is investigating both high tonnage/low-medium grade open cut and underground block caving operations, and a high grade/low tonnage underground development.

Liquidity and Capital Resources

At 30 June 2016 the Company had cash and cash deposits of \$94,933, a decrease of \$226,507 from \$321,440 as at 30 June 2015.

Cash expenditure for the year ended 30 June 2016 was \$9.9 million (2015: \$11.1 million). During the financial year ended 30 June 2016, cash of \$908,329 (2015: \$6,877,414) was received from the issue of shares via private placements, \$2,332,000 (2015: nil) received from the issue of convertible notes to DGR Global and Tenstar and \$6,535,205 (2015: nil) received as unsecured short term borrowings from DGR Global. Accordingly, the net cash outflow of the Company for the year ended 30 June 2016 was \$226,507 (2015: \$4,225,789).

Cash of \$6,408,358 (2015: \$8,485,005) was invested by the Company on exploration expenditure during the financial year ended 30 June 2016.

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

Subsequent to 30 June 2016, the Company completed two fund raisings to raise US\$54.5 million (A\$71.6 million) before costs. Refer to 'Subsequent Events' in this OFR for further details.

Equity

The Company was authorised to issue 1,420,000,000 ordinary shares at 30 June 2016 of which 953,897,601 were outstanding at 30 June 2016 and 1,222,716,605 were outstanding as at 31 December 2016. At 30 June 2016, the Company had outstanding options to purchase an aggregate of 21,380,000 ordinary shares under its Employee Share Option Plan ("ESOP") with exercise prices ranging from £0.14 to £0.50 per share and expiry dates ranging from 15 July 2016 and 6 September 2017. At 31 December 2016, the Company had 45,951,768 Options outstanding after the expiry of 14,020,000 Options and the grant of 41,591,768 Options subsequent to 30 June 2016. There were no unvested share options at 30 June 2016.

Subsequent to 30 June 2016, the Company completed two fund raisings to raise US\$54.5 million (A\$71.6 million) before costs. In addition, the Company issued a total of 3,340,000 fully paid shares pursuant to the Top-up Right held by Newcrest International and the exercise of employment options. Refer to 'Subsequent Events' in this OFR for further details.

Commitments and Contingencies

Commitments

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

The combined commitments of the Company related to its granted tenement interests are as follows:

<i>Location</i>	<i>Up to 12 Months</i>	<i>13 Months to 5 Years</i>	<i>Later than 5 Years</i>
Ecuador	–	–	–
Queensland	622,400	205,500	–
	<u>622,400</u>	<u>205,500</u>	<u>–</u>

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

Contingencies

A 2 per cent. NSR is payable to Santa Barbara Resources, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US\$4 million. Fifty percent (50 per cent.) of the royalty can be purchased for US\$1 million 90 days following the completion of a feasibility study and

the remaining 50 per cent. of the royalty can be purchased for US\$3 million 90 days following a production decision.

In the event Cornerstone's equity interest in ENSA is diluted below 10 per cent., Cornerstone's equity interest will be converted to a half of one percent (0.5 per cent.) interest in a NSR and the Company will have right to purchase the NSR for US\$3.5 million at any time.

Transactions with Related Parties

Transactions with related parties are disclosed in Note 22 to the 2016 Financial Statements. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The figures noted below are for the financial year ended 30 June 2016 with comparative figures for the year ended 30 June 2015.

The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2016 \$150,000 was paid or payable to Samuel (2015: \$150,000). The total amount outstanding at 30 June 2016 was \$62,500 (2015: \$58,358).

The Company has a long-standing commercial arrangement with DGR Global, an entity associated with Nicholas Mather and Brian Moller, for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company shall reimburse DGR Global for any expenses incurred by it in providing the Services. For the year ended 30 June 2016 \$360,000 was paid or payable to DGR Global (2015: \$360,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at 30 June 2016 was \$120,000 (2015: \$310,690).

Mr Brian Moller is a partner in the Australian firm HopgoodGanim lawyers. For the year ended 30 June 2016, HopgoodGanim were paid \$66,263 (2015: \$128,681) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at 30 June 2016 was \$66,263 (2015: \$74,704).

On 20 November 2015, DGR Global agreed to provide short term funding to the Company for working capital purposes. Interest on the facility is charged at the rate of 9.5 per cent. per annum. The loan is repayable by the Company on the earlier of any capital raising event, or 31 December 2016. DGR Global can, at its sole election, convert all or part of the loan, including accrued interest, into further equity as part of a capital raising, and at the same price as third party participants, subject to DGR Global and the Company obtaining all necessary regulatory approvals. A new loan agreement was signed on 30 June 2016 revising the limit on the facility to \$7 million, all other conditions remained the same. On 29 August 2016, DGR Global converted \$5,700,000 of the debt funding provided to the Company into Ordinary Shares in accordance with the terms of the loan arrangements announced to the market on 1 July 2016.

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

Subsequent Events

On 26 August 2016, the Company issued an additional 268,819,004 Ordinary Shares at £0.06 to raise \$27.9 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in Ecuador and Queensland, Australia.

On 9 September 2016, Mr Scott A. Caldwell was appointed as a Non-Executive Director.

On 24 September 2016, 6,520,000 unlisted Options (comprising 2,850,000 options exercisable at 14p, 2,850,000 Options exercisable at 28p and 820,000 Options exercisable at 50p) expired.

On 14 October 2016, the Company issued an additional 63,353,339 Ordinary Shares at £0.13 to raise \$13.4 million in cash pursuant to a private placement to continue to fund the Company's exploration of the Cascabel Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 142,896,661 Ordinary Shares at £0.13 to raise \$30.3 million in cash pursuant to a private placement to continue to fund the Company's exploration of the Cascabel Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 19,591,768 unlisted Options to Maxit Capital. The options consist of two tranches of 9,795,884 Options each exercisable at £0.14 and £0.28.

On 17 November 2016, the Company issued a total of 22,000,000 unlisted Options to employees and contractors. The Options have a strike price of £0.28 each and are exercisable through to 28 October 2018.

On 17 January 2017, the Company issued 900,000 Ordinary Shares as a result of the exercise of employment Options.

On 31 January 2017, the Company issued 100,000 fully paid ordinary shares of £0.01 each to Newcrest International pursuant to "top-up rights" held by Newcrest International pursuant to the Newcrest Subscription Agreement. The allotment was priced at £0.299 per share, based on a 10 day VWAP, in accordance with the terms of the Newcrest Subscription Agreement.

On 3 February 2017, the Company issued 1,200,000 Ordinary Shares as a result of the exercise of employment Options.

On 21 February 2017, the Company issued 900,000 Ordinary Shares as a result of the exercise of employment Options.

On 1 March 2017, the Company issued 240,000 Ordinary Shares each to Newcrest International pursuant to "top-up rights" held by Newcrest International pursuant to the Newcrest Subscription Agreement. The allotment was priced at £0.384 per share, based on a 10 day VWAP, in accordance with the terms of the Newcrest Subscription Agreement.

On 3 March 2017, Mr Craig Jones was appointed as a Non-Executive Director of the Company. Mr Jones was been nominated to the Board by Newcrest International pursuant to rights held by Newcrest International pursuant to the Newcrest Subscription Agreement.

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

On 21 June 2017, the Company issued 78,889,080 Ordinary Shares pursuant to the Placing.

On 26 June 2017, the Company issued 1,760,000 Ordinary Shares as a result of the exercise of employment Options.

On 7 July 2017, the Company issued 2,600,000 Ordinary Shares as a result of the exercise of employment Options.

Off-Balance Sheet Arrangements

At 30 June 2016, the Company had no off-balance sheet arrangements such as guarantee contracts, contingent interest in assets transferred to an entity, derivative instruments obligations or any obligations that trigger financing, liquidity, market or credit risk to the Company.

Critical Accounting Estimates

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

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

Impairment and reversal of impairment of deferred exploration assets

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

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

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

Fair value of share based payments

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

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

Changes in IFRS Accounting Policies and Future Accounting Pronouncements

New standards and amendments in the year

Certain pronouncements were issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for accounting years beginning 1 July 2015.

These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

- Annual Improvements to IFRSs – 2010-2012 Cycle
- Annual Improvements to IFRSs – 2011-2013 Cycle
- IFRIC 21 Levies

New standards and interpretations not yet adopted

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

IFRS 9 Financial instruments

The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group will assess the impact on its consolidated Financial Statements.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The effect will be assessed and disclosure will be made once the Group has assessed the impact of applying IFRS 15. However as the Group currently does not generate revenue there is no significant impact expected.

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 subject to EU endorsement. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

Management's Responsibility for Financial Statements

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

PART IV

ADDITIONAL INFORMATION

1. Responsibility

- 1.1 The Directors, whose names appear on page 22 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Directors and the Company (who have each taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.
- 1.2 The Competent Person, whose name appears on page 22 of this document, accepts responsibility for the information contained in the Competent Person's Report which is set out in Part II of this document. To the best of the knowledge of the Competent Person (who has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect its import.

2. History and Development

- 2.1 The Company's full name is SolGold Plc. The Company is registered in England and Wales under company registration number 05449516. The Company was incorporated as a private limited company on 11 May 2005 in England and Wales under the Companies Act 1985 with the name Solomon Gold Limited. The Company was re-registered as a public limited company on 22 December 2005 under the name Solomon Gold Plc. The Company changed its name to SolGold Plc on 28 May 2012. The Company is registered as a 'foreign company' for the purposes of the Corporations Act under Australian Business Number 65 117 169 856.
- 2.2 The Company is domiciled in the United Kingdom, it is a public company limited by shares and operates under English law. The Company is governed by the provisions of the Articles (a summary of which is set out in paragraph 4.1 of Part IV of this document) and the principal legislation under which the Company operates is the Companies Act.
- 2.3 The Company's registered office is at c/o Locke Lord (UK) LLP, 201 Bishopsgate, London EC2M 3AB, United Kingdom. The Company's telephone number is +61 3303 0660 and its website is www.solgold.com.au. Its principal place of business is at Level 27, 111 Eagle Street, Brisbane, QLD 4000, Australia.
- 2.4 The Company was admitted to AIM, a market operated by the London Stock Exchange, on 10 February 2006. The Company was admitted to the TSX on 14 July 2017.
- 2.5 The ISIN of the Ordinary Shares is GB00B0WD0R35. The Ordinary Shares are sterling denominated Ordinary Shares of 1p each in capital of the Company.
- 2.6 As at the date of this document, the Company has no administrative, management or supervisory bodies other than the Board, the Audit and Risk Management Committee, the Remuneration Committee and the Health, Safety, Environment and Community Committee.
- 2.7 The Company's auditor is BDO LLP. BDO LLP is registered to carry out audit work by the Institute of Chartered Accountants of England and Wales and has been the Company's auditor since 2013.
- 2.8 The accounting reference date of the Company is 30 June.

3. Subsidiaries

- 3.1 The Company is the ultimate holding company of the Group and, immediately after Admission, it will have the following subsidiaries:

<i>Name of Subsidiary</i>	<i>Country of incorporation and operation</i>	<i>Principal activity</i>	<i>Proportion of ownership of share capital and voting power held</i>
Australian Resources Management (ARM) Pty Ltd	Australia	Exploration	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%
Central Minerals Pty Ltd	Australia	Exploration	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%
Honiara Holdings Pty Ltd	Australia	Exploration	100%
Guadalcanal Exploration Pty Ltd	Australia	Exploration	100%
ENSA	Ecuador	Exploration	86.55%
Carnegie Ridge Resources S.A.	Ecuador	Exploration	100%
Green Rock Resources S.A.	Ecuador	Exploration	100%
Valle Rico Resources S.A.	Ecuador	Exploration	100%
Cruz Del Sol S.A.	Ecuador	Exploration	100%

- 3.2 Australian Resources Management (ARM) Pty Ltd was incorporated on 9 July 1992. It was registered in New South Wales, Australia with ACN 056 692 829. The registered office is at Level 27, 111 Eagle Street, Brisbane, Qld, Australia. It operates subject to the provisions of the Corporations Act.
- 3.3 Acapulco Mining Pty Ltd was incorporated on 3 February 1995. It was registered in Queensland, Australia with ACN 067 983 582. The registered office is at Level 27, 111 Eagle Street, Brisbane, Qld, Australia. It operates subject to the provisions of the Corporations Act.
- 3.4 Central Minerals Pty Ltd was incorporated on 25 May 2007. It was registered in Queensland, Australia with ACN 125 394 201. The registered office is at Level 27, 111 Eagle Street, Brisbane, Qld, Australia. It operates subject to the provisions of the Corporations Act.
- 3.5 Solomon Operations Ltd was incorporated on 27 April 2007. It was registered in the Solomon Islands with company number CRO 47 of 2007. The registered office is at Wong Building, Ranadi Crescent, Ranadi Industrial Estate, Honiara, Solomon Islands. It operates subject to the provisions of the Companies Act 2009.
- 3.6 Honiara Holdings Pty Ltd was incorporated on 2 December 2009. It was registered in Queensland, Australia with ACN 140 891 390. The registered office is at Level 27, 111 Eagle Street, Brisbane, Qld, Australia. It operates subject to the provisions of the Corporations Act.
- 3.7 Guadalcanal Exploration Pty Ltd was incorporated on 1 June 2009. It was registered in Queensland, Australia with Australian Company Number 137 435 851. The registered office is at Level 27, 111 Eagle Street, Brisbane, Qld, Australia. It operates subject to the provisions of the Corporations Act.
- 3.8 ENSA was incorporated on 25 May 2006. It was registered in Ecuador with company number 155875 (RUC number 1792038472001). The registered office is at Av. 12 de Octubre N26-97 y Abraham Lincoln Edit Torre 1492, Piso 11, Oficina 1101, Quito, Ecuador. ENSA operates subject to the provisions of theCodigo de Comercio.
- 3.9 Carnegie Ridge Resources S.A. was incorporated on 9 July 2015. It was registered in Ecuador with company number MM-CZM-N-2015-0153-RM. The registered office is at Av. 12 de Octubre N26-97 y Abraham Lincoln Edit Torre 1492, Piso 11, Oficina 1101, Quito, Ecuador. It operates subject to the provisions of theCodigo de Comercio.
- 3.10 Green Rock Resources S.A. was incorporated on 9 July 2015. It was registered in Ecuador with company number MM-CZM-N-2015-0155-RM. The registered office is at Av. 12 de Octubre N26-97 y Abraham Lincoln Edit Torre 1492, Piso 11, Oficina 1101, Quito, Ecuador. It operates subject to the provisions of theCodigo de Comercio.

- 3.11 Valle Rico Resources S.A. was incorporated on 9 July 2015. It was registered in Ecuador with company number MM-CZM-N-2015-0308-OF. The registered office is at Av. 12 de Octubre N26-97 y Abraham Lincoln Edit Torre 1492, Piso 11, Oficina 1101, Quito, Ecuador. It operates subject to the provisions of the Codigo de Comercio.
- 3.12 Cruz Del Sol S.A. was incorporated on 9 July 2015. It was registered in Ecuador with company number MM-CZM-N-2015-0130-OF. The registered office is at Av. 12 de Octubre N26-97 y Abraham Lincoln Edit Torre 1492, Piso 11, Oficina 1101, Quito, Ecuador. It operates subject to the provisions of the Codigo de Comercio.
- 3.13 Save as disclosed in this paragraph 3, there are no undertakings in which the Company holds a proportion of the capital which is likely to have a significant effect on the assessment of its own assets and liabilities, financial position and profits.
- 3.14 The Ordinary Shares may be held in certificated form or uncertificated form and traded on CREST, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the CREST Regulations.

4. Share Capital

4.1 Share capital history

- 4.1.1 The authorised share capital of the Company on incorporation was £1,000,000 divided into 1,000,000,000 ordinary shares of £0.0001 each. On incorporation one ordinary share of £0.0001 was issued to the subscriber to the Memorandum of Association. On 27 October 2005, the Company consolidated its share capital so that each ordinary share of £0.0001 consolidated into one ordinary share of 1p.
- 4.1.2 On Admission, a total of up to 1,562,317,686 Ordinary Shares will have been issued fully paid or credited as fully paid.
- 4.1.3 At a general meeting held on 28 July 2017, the Company passed, *inter alia*, the following resolutions:
- (a) That, in addition to all existing authorities to the extent unused, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the 'Act') to exercise all the powers of the Company to allot shares in the Company or grant rights to subscribe for or to convert any securities into shares in the Company ("Relevant Securities") up to a maximum aggregate nominal amount of £6,000,000 provided that this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, fifteen (15) months from the date of passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require Relevant Securities to be allotted after such expiry and the Directors may allot Relevant 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 to allot shares or grant rights for or to convert any securities into shares but without prejudice to any allotment of shares or grant of rights already made, offered or agreed to be made pursuant to such authorities.
 - (b) That subject to, and conditional on, the passing of Resolution 1, and in addition to all existing authorities to the extent unused, the Directors be empowered pursuant to section 570 of the Act to allot equity securities (within the meaning of section 560(1) of the Act) for cash pursuant to the authority given by Resolution 1 as if section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal amount of £6,000,000, and this power shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, fifteen (15) months from the date of passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby has not expired.

4.1.4 The following changes have taken place in the issued share capital of the Company during the three years prior to the date of this document:

<i>Date</i>	<i>Purpose of the issue</i>	<i>Number of Ordinary Shares issued</i>	<i>Issue price per Ordinary Share</i>
30 September 2013	Private placement of Ordinary Shares	49,840,967	£0.075
10 March 2014	Issued to Cornerstone as part consideration for the Company increasing its direct shareholding in ENSA to 85%	488,560	CDN\$0.2047
27 March 2014 to 31 March 2014	Private placement of Ordinary Shares	47,769,333	£0.09
17 December 2014	Private placement of Ordinary Shares	33,591,828	£0.03
9 April 2015	Issue of Ordinary Shares pursuant to the Open Offer. Qualifying shareholders were able to subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 6 Ordinary Shares the qualifying shareholder held as of the specified record date	74,708,041	£0.03
19 November 2015	34,252,668 new Ordinary Shares were issued for cash at 1.5 pence per share for gross proceeds of £513,790 with institutional and other investors and the proceeds were utilised for continued exploration of the Cascabel Project. 28,010,866 new Ordinary Shares were issued at a deemed price of 1.5 pence per share as consideration for the settlement of approximately £420,000 of fees due to the Company's drilling contractor and professional advisors	62,263,534	£0.15

<i>Date</i>	<i>Purpose of the issue</i>	<i>Number of Ordinary Shares issued</i>	<i>Issue price per Ordinary Share</i>
7 March 2016	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, amounting to a principal amount equal to approximately £805,803, into 35,034,896 Ordinary Shares at 2.3 pence per Ordinary Share. An additional 43,731,904 Ordinary Shares were issued to certain Directors and employees on account of fees and remuneration owed, and to the Company's service providers, drilling contractors and professional advisors	131,180,996	£0.023
26 August 2016	Issue of Ordinary Shares to Maxit Capital pursuant to the Maxit Capital Subscription Agreement	268,819,004	US\$0.08
14 October 2016	Issue of Ordinary Shares to Maxit Capital pursuant to the Maxit Second Subscription Agreement	63,353,339	US\$0.16
17 October 2016	Issue of Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement	142,896,661	US\$0.16
17 January 2017	Exercise of Options by contractors and employees	900,000	£0.14
31 January 2017	Issue of Ordinary Shares to Newcrest International pursuant to its Top-Up Right	100,000	£0.299
3 February 2017	Exercise of Options by contractors and employees	1,200,000	£0.14
21 February 2017	Exercise of Options by employees	900,000	£0.14
1 March 2017	Issue of Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement	240,000	£0.384
1 March 2017	Issue of Ordinary Shares pursuant to Newcrest International pursuant to the Newcrest Subscription Agreement	240,000	£0.384

<i>Date</i>	<i>Purpose of the issue</i>	<i>Number of Ordinary Shares issued</i>	<i>Issue price per Ordinary Share</i>
21 June 2017	Issue of Ordinary Shares pursuant to the Placing	78,889,080	£0.41
26 June 2017	Exercise of Options by employees	880,000	£0.14
26 June 2017	Exercise of Options by employees	880,000	£0.28
7 July 2017	Exercise of Options by Directors	1,300,000	£0.14
7 July 2017	Exercise of Options by Directors	1,300,000	£0.28

4.1.5 As at the date of this document, the Company has granted the following Options:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
9,795,884 granted to Maxit Capital pursuant to the Maxit Subscription Agreement and the Maxit Second Subscription Agreement	28 pence	17 October 2018
9,795,884 granted to Maxit Capital pursuant to the Maxit Subscription Agreement and the Maxit Second Subscription Agreement	14 pence	17 October 2018
22,000,000 granted to the Company's employees and contractors pursuant to the Share Plan	28 pence	28 October 2018
2,180,000 granted to the Board**	28 pence	8 July 2017
2,180,000 granted to the Board***	14 pence	8 July 2017
3,000,000* granted to Alan Martin, former CEO of the Company	14 pence	19 August 2017
36,750,000 granted to the Board	60 pence	7 August 2020
10,000,000 granted to the Company's two key geologists	60 pence	7 August 2020
12,000 granted to third parties pursuant to the Placing	60 pence	7 August 2020

* As at the date of this document, 3,000,000 Options have been exercised.

** As at the date of this document, 1,300,000 Options have been exercised.

*** As at the date of this document, 1,300,000 Options have been exercised.

4.1.6 The Company has not issued any convertible securities, exchangeable securities, redeemable securities or securities with warrants.

4.1.7 No shares in the capital of the Company are held by or on behalf of the Company or the Group.

4.1.8 Save for the Options detailed at paragraph 4.1.5 above and the Anti-Dilution and Top-Up Right described at paragraph 12.1.1 below, the Company has not granted acquisition rights and/or obligations over its unissued capital.

4.1.9 The Company has not issued any shares which do not represent capital.

4.1.10 The Company has not granted commissions, discounts, brokerages or other special terms in connection with the issue or sale of shares or loan capital in the Company in the three years preceding the date of this document.

- 4.1.11 Save for the Options detailed at paragraph 4.1.5 above, no capital of any member of the Group is under option or agreed conditionally to be put under option.
- 4.1.12 Save as otherwise disclosed in this document, the Company has not issued any preferential subscription rights for any share capital of the Company.

5. Memorandum and Articles of the Company

5.1 Memorandum of Association

The object of the Company, as set out in clause 4 of its Memorandum of Association, is to carry on business as a general commercial company.

5.2 Articles of Association

The Articles contain provisions, *inter alia*, to the following effect:

5.2.1 Limited liability

The liability of the members of the Company is limited to the amount, if any, unpaid on the Ordinary Shares held by them.

5.2.2 Share Capital

Subject to the provisions of the Acts and Statutes and to any special rights for the time being attached to any existing shares, any shares may be allotted or issued with or have attached to them such preferred, deferred or other special rights or restrictions whether in regard to dividends, voting, transfer, return of capital or otherwise as the Company may from time to time by ordinary resolution determine or if no such resolution has been passed or so far as the resolution does not make specific provision as the Board may determine.

5.2.3 Voting Rights

Subject to any rights or restrictions attached to shares, on a vote on a resolution on a show of hands at a meeting, every member who (being an individual) is present in person or by proxy shall have one vote, and on a poll every member shall have one vote for every share of which he is the holder.

5.2.4 Variation of Rights

Subject to the Acts and the Statutes, whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares in issue may (unless otherwise provided by the terms of issue of the shares of that class) from time to time be varied or abrogated, whether or not the Company is being wound up, either with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of such holders (but not otherwise).

5.2.5 Alteration of capital

The Company may, subject to the passing of a resolution authorising it to do so in accordance with the Act and the Statutes, consolidate and divide all or any of its share capital into shares of a larger nominal amount than its existing shares and sub-divide its shares or any of them into shares of smaller nominal amount, provided that in the sub-division, consolidation or division, the proportion between the amount paid and the amount, if any, unpaid on each resulting share shall be the same as it was in the case of the share from which that share is derived.

5.2.6 Transfer of shares

A share held in certificated form may be transferred by an instrument of transfer in any usual form or in any other form which the Board may approve, which shall be executed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. A share held in uncertificated form may be transferred by means of a relevant system in

accordance with the CREST Regulations. The transferor shall be deemed to remain the holder of the share until the transferee is entered on the Register as its holder.

The Board may also refuse to register a transfer of shares held in certificated form unless the instrument of transfer is:

- (a) in respect of a share which is fully paid up;
- (b) in respect of a share on which the Company has no lien;
- (c) in respect of only one class of shares;
- (d) in favour of a single transferee or not more than four joint transferees;
- (e) duly stamped (if so required); and
- (f) delivered for registration to the Company's registered office, or such other place as the Board may from time to time determine, accompanied (except in the case of a transfer by a recognised person where a certificate has not been issued) by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to prove the title of the transferor and the due execution by him of the transfer or if the transfer is executed by some other person on his behalf, the authority of that person to do so,

provided that such discretion may not be exercised in such a way as to prevent dealings in such shares from taking place on an open and proper basis.

5.2.7 *Dividends*

Subject to the provisions of the Acts and the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Subject to the provisions of the Acts, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution. If the share capital is divided into different classes of shares, the Board may pay interim dividends on shares which confer deferred or non-preferred rights with regard to dividend as well as on shares which confer preferential rights with regard to dividend, but no interim dividend shall be paid on shares carrying deferred or non-preferred rights if, at the time of payment, any preferential dividend is in arrears.

5.2.8 *Winding Up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by law, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. Any such division may be otherwise than in accordance with the existing rights of the members but if any division is resolved otherwise than in accordance with such rights the members shall have the same right of dissent and consequential rights as if such resolution were a special resolution passed pursuant to section 111 of the Insolvency Act 1986. The liquidator may, with the like sanction, vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any assets upon which there is a liability.

5.2.9 *Untraced Shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any shares of a member or the shares to which a person is entitled by virtue of transmission on death or if and provided that (i) for a period of twelve years, no cash dividend payable in respect of the shares has been claimed, no cheque or warrant sent by the Company through the post in a pre-paid envelope addressed to the member or to the person entitled to the shares at his address on the Register or (if different) the last known address given by the member or the person so entitled to which cheques and warrants are to be sent has been paid, each attempt to make a payment in respect of the shares by means of bank transfer or other method for the payment of dividends or other moneys in respect of shares has failed and no communication has been received by the Company from the member or the person so entitled (in his capacity as

member or person entitled), (ii) in such period of twelve years at least three dividends (whether interim or final) have become payable on the shares, and (iii) the Company has at the expiration of the said period of twelve years by advertisement in both a national newspaper published in the United Kingdom and in a newspaper circulating in the area in which the address referred to above is located given notice of its intention to sell such shares.

5.2.10 *Provisions relating to Directors*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors shall not be less than two or more than eight.

Subject to the provisions of the Articles, the Company may by ordinary resolution appoint a person who is willing to act to be a Director either to fill a vacancy or as an additional Director.

Each Director shall retire from office and shall be eligible for reappointment at the third annual general meeting after the general meeting at which he was appointed or last reappointed. If the Company, at the meeting at which a Director retires under this Article, does not fill the vacancy the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

Subject to the provisions of the Acts and the Articles and to any directions given by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company. A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board.

The quorum for the transaction of the business of the Board may be fixed by the Board and unless so fixed at any other number shall be two.

Questions arising at a meeting shall be decided by a majority of votes of the participating directors, with each director having one vote. In the case of an equality of votes the chairman shall have a second or casting vote.

The ordinary remuneration of the Directors (other than any alternate Directors shall be such amount as the Directors shall from time to time determine (not exceeding £250,000 per annum unless otherwise approved by the Company in general meeting). The Directors may be paid all travelling, hotel and other expenses as they may incur in connection with their attendance at meetings of the Board or of committees of the Board or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in connection with the discharge of their duties.

The Directors may authorise, to the fullest extent permitted by law, any matter proposed to them which would otherwise result in a Director infringing his duty under section 175 of the Companies Act to avoid a situation in which he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest.

Authorisation of such a matter is effective only if:

- (a) any requirement as to quorum at the meeting of the Directors at which the matter is considered is met without counting the Director in question and any other interested Director; and
- (b) the matter has been agreed to without the Director in question and any other interested Director voting or would have been agreed to if their votes had not been counted.

5.2.11 *Borrowing powers*

The Board may exercise all the powers of the Company to borrow money, to guarantee, to indemnify, to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company, to issue debentures and other securities and to give security, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

5.2.12 *Uncertificated Shares*

The Company may issue shares and other securities which do not have certificates, permit existing shares and other securities to be held without certificates, and permit any shares or other securities held without certificate to be transferred without an instrument of transfer, in each case in dematerialised form pursuant to the Regulations.

5.2.13 *General Meetings*

All meetings other than annual general meetings shall be called general meetings. The Board may call general meetings and, on the requisition of members pursuant to the provisions of the Acts, shall forthwith convene a general meeting.

An annual general meeting shall be called by at least 21 clear days' notice. Every other general meeting shall, subject to the provisions of the Act, be called by at least 14 clear days' notice.

Every notice of meeting shall specify the place, the day and the time of the meeting and the general nature of the business to be transacted and, in the case of an annual general meeting, shall specify the meeting as such. Every notice calling a meeting for the passing of a special resolution shall specify the intention to propose the resolution as a special resolution and the terms of the resolution.

Two members present in person or by proxy and entitled to vote upon the business to be transacted at the meeting shall be a quorum. A Director shall be entitled to attend and speak at any general meeting and at any separate meeting of the holders of any class of shares in the Company, notwithstanding that he is not a member, or not a holder of the class of shares in question.

5.2.14 *Disclosure of Interests in Shares*

Notwithstanding anything in the Articles to the contrary, if a disclosure notice has been served on a member or any other person appearing to be interested in the specified shares, and the Company has not received the information required therein in respect of any of the specified shares within 14 days after the service of such disclosure notices, then:

5.2.14.1 if the shares are held in certificated form from the time of such failure until not more than seven days after the earlier of:

5.2.14.1.1 receipt by the Company of notice that there has been a transfer of the shares pursuant to an Arm's Length Sale; and

5.2.14.1.2 due compliance, to the satisfaction of the Company, with the statutory disclosure requirements:

5.2.14.1.2.1 (should the Directors so resolve) such holder shall not be entitled to attend or vote or to exercise any right conferred by membership at meetings of the Company in respect of all the shares for the time being registered in the account in the register of members of the Company in respect of which such notice was served;

5.2.14.1.2.2 (in circumstances where the holding represents at least 0.25 per cent. of the issued shares of the relevant class and should the Directors so resolve) the payment of dividends in respect of such shares may be withheld; and

5.2.14.1.2.3 (in circumstances where the holding represents at least 0.25 per cent. of the issued shares of the relevant class and should the Directors so resolve) such holder shall not be entitled to transfer such shares otherwise than pursuant to an Arm's Length Sale; or

5.2.14.2 if the shares are held in uncertificated form, the Directors may serve upon the registered holder of such shares a notice requiring the holder to convert his holding of such uncertificated shares into certificated form within such period as is specified in the notice and require the holder to continue to hold such shares in certificated

form for so long as such failure continues. If the holder shall fail to do so within such time as is specified in the said notice from the Company the Directors are empowered to authorise some person to take all such steps and issue such instructions by means of the relevant system as defined in the CREST Regulations or otherwise in the name of the holder of such shares as may be necessary to effect the conversion of such shares to certificated form and such steps shall be as effective as if they had been taken by the registered holder of the relevant uncertificated shares.

- 5.3 There are no conditions imposed by the Articles regarding changes in the Company's capital which are more stringent than required by the laws of England and Wales.

6. Share Plan

- 6.1 The share incentive plan of the Company was adopted by the Board on 5 July 2017 and approved by Shareholders on 28 July 2017 ("**Share Incentive Plan**"). 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.
- 6.2 An Option entitles a holder (an "**Optionee**") to purchase Ordinary Shares at an exercise price set at the time of the grant.
- 6.3 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).
- 6.4 The Share Incentive Plan is administered by the Board or the committee of the Board authorised to administer the Share Incentive Plan, including the Remuneration Committee (the "**Committee**").
- 6.5 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.
- 6.6 The maximum number of Ordinary Shares made available for the Share Incentive Plan shall not exceed 10 per cent. of the total number of Ordinary Shares then outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Option.
- 6.7 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 per cent. 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 per cent. of the total number of Ordinary Shares then outstanding.

7. Directors, Senior Managers and other Interests

- 7.1 The tables below state the names of all companies and partnerships of which the Directors and Senior Managers are or have been a director or partner at any time in the period of five years immediately preceding the date of this document:

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
John Bovard	Aus Tin Mining Limited (ASX)	Orbis Gold Limited Australian Pacific Coal Limited

<i>Name</i>	<i>Current Directorships/Partnerships</i>	<i>Past Directorships/Partnerships</i>
Nicholas Mather	DGR Global Limited Armour Energy Limited Aus Tin Mining Limited Dark Horse Resources Limited Lakes Oil NL IronRidge Resources Limited	Orbis Gold Limited Bow Energy Limited
Brian Moller	DGR Global Limited Dark Horse Resources Limited Aguia Resources Limited Platina Resources Limited Aus Tin Mining Limited Lithium Consolidated Mineral Exploration Limited	Buccaneer Energy Limited
Robert Maurice Weinberg	N/A	Falkland Gold and Minerals Limited Metallon Corporation Management Services Limited Metallon Corporation Limited Hunter Bay Minerals Plc Platinum Mining Corporation of India Limited PMCI (UK) Limited
Craig Jones	N/A	N/A
Jason Ward	N/A	N/A
Priy Jayasuriya	N/A	N/A
Karl Schlobohm	N/A	Armour Energy Limited (Alternate director) Dark Horse Resources Limited DGR Global Limited (Alternate director) Lakes Oil NL (Alternate director)

- 7.2 Save as disclosed above, none of the Directors or Senior Managers has been a director or member of any administrative, management or supervisory body of any companies or partner in any partnerships at any time in the period of five years immediately preceding the date of this document.
- 7.3 As at the date of this document the interests (all of which are beneficial unless otherwise stated) of the Directors, Senior Managers and persons connected with them (within the meaning of sections 252 to 255 of the Companies Act) in the issued share capital of the Company are as set out below.

<i>Name of Director</i>	<i>On Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>% of Enlarged Issued Share Capital</i>
John Bovard	4,213,813	0.28%
Nicholas Mather	90,768,275	5.99%
Brian Moller	5,189,121	0.34%
Robert Maurice Weinberg	4,651,091	0.31%
Craig Jones	Nil	0.00%
Jason Ward	9,264,280	0.61%
Priy Jayasuriya	126,446	0.01%
Karl Schlobohm	3,384,692	0.22%

- 7.4 In addition, at the date of this document, the Directors, Senior Managers and persons connected with them (within the meaning of sections 252 to 255 of the Companies Act) hold the following Options:

<i>Name of Director</i>	<i>Number of Options</i>	<i>Expiry Date</i>	<i>Exercise Price per Ordinary Share</i>
Craig Jones	2,250,000	7 August 2020	£0.60
Jason Ward	5,000,000	28 October 2018	£0.28
Priy Jayasuriya	1,250,000	28 October 2018	£0.28
Karl Schlobohm	1,250,000	28 October 2018	£0.28
Nicholas Mather*	26,250,000	7 August 2020	£0.60
Brian Moller	3,750,000	7 August 2020	£0.60
John Bovard	2,250,000	7 August 2020	£0.60
Robert Weinberg	2,250,000	7 August 2020	£0.60

*The Options are held by Samuel Holdings Pty Ltd, a company associated with Nicholas Mather.

- 7.5 None of the Directors or Senior Managers has had any convictions in relation to fraudulent or indictable offences in the five years preceding the date of this document.
- 7.6 None of the Directors or Senior Managers has been bankrupt or entered into an individual voluntary arrangement. None of the Directors or Senior Managers has owned an asset over which a receiver has been appointed. Save as disclosed in this paragraph 7, none of the Directors or Senior Managers acting in a capacity of director or senior manager has been associated with any bankruptcies, receiverships, compulsory liquidations, creditors' voluntary liquidations, company voluntary liquidations or any company's composition or arrangements with its creditors generally or any class of its creditors in the five years preceding the date of this document.
- 7.7 There have been no public official incriminations and/or sanctions of any of the Directors or Senior Managers, nor any public criticism of any of the Directors or Senior Managers, by any statutory or regulatory authority (including designated professional bodies) and none of the Directors or Senior Managers has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company within the five years preceding the date of this document.
- 7.8 There are no conflicts of interest between any duties to the Company of the Directors and Senior Managers and their private interests or other duties.
- 7.9 For the year ended 30 June 2016, the Directors and Senior Managers were granted the following remuneration (including contingent or deferred compensation) and benefits in kind by the Company and the Subsidiaries for services in all capacities to the Company and the Subsidiaries:

<i>Name</i>	<i>Salary (£)</i>	<i>Bonus (£)</i>	<i>Benefit in kind (£)</i>	<i>Total (£, Excl pension)</i>	<i>Pension (£)</i>
John Bovard	AUS\$33,333	N/A	N/A	AUS\$33,333	N/A
Nicholas Mather	AUS\$150,000	N/A	N/A	AUS\$150,000	N/A
Brian Moller	AUS\$50,000	N/A	N/A	AUS\$50,000	N/A
Robert Maurice Weinberg	AUS\$50,000	N/A	N/A	AUS\$50,000	N/A
Craig Jones	N/A	N/A	N/A	N/A	N/A
Jason Ward	AUS\$298,178	N/A	N/A	AUS\$298,178	N/A
Priy Jayasuriya	Nil	Nil	Nil	Nil	Nil
Karl Schlobohm	AUS\$59,750	N/A	N/A	AUS\$59,750	N/A

- 7.10 No sums have been set aside or accrued by the Company and its Subsidiaries to provide pension, retirement and similar benefits for the Directors or Senior Managers.

- 7.11 Save as set out in this paragraph 7, as at the date of this document, neither the Directors nor Senior Managers nor any member of their families family (within the meaning of section 253 of the Companies Act) held any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of Ordinary Shares.
- 7.12 There are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of any of the Directors or Senior Managers, nor are there any outstanding loans or guarantees provided by the Directors or Senior Managers to or for the benefit of any member of the Group.
- 7.13 No Director or Senior Manager has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or was significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

8. Major shareholders

- 8.1 Save as set out below, the Company is not aware of any person (other than the Directors) who, directly or indirectly, has an interest representing 3 per cent. or more of the existing share capital of the Company (being the threshold at or above which, in accordance with the Disclosure Guidance and Transparency Rules, an interest must be disclosed to the Company). So far as the Company is aware the disclosable interests prior to and on Admission will be:

<i>Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>% of Issued Share Capital</i>
Cornerstone	154,406,414	10.19
DGR Global	204,151,800	13.47
Tenstar	143,206,062	9.45
Newcrest International	219,772,271	14.50
Guyana Goldfield Inc.	103,125,000	6.80
Nicholas Mather	90,768,275	5.99

- 8.2 Save as otherwise disclosed in this document, all the Ordinary Shares rank *pari passu* and no Shareholder enjoys different or enhanced voting rights.
- 8.3 As at 10 August 2017 (being the latest practicable date prior to the publication of this document), the Company is not aware of any persons who directly or indirectly, own or control the Company.
- 8.4 Save as otherwise disclosed in this document, none of the holders of Ordinary Shares listed in paragraph 8.1 above has in respect of his holding of Ordinary Shares voting rights different from the other holders of Ordinary Shares.
- 8.5 The Company is not aware of any arrangements the operation of which may at a date subsequent to this document result in a change in control of the Company.

9. Directors' Service Contracts

9.1 **Executive Service Contract Terms** **Nicholas Mather, Executive Director**

On 23 June 2017, the Company entered into a consultancy agreement ("Samuel Consultancy Agreement") with Samuel Capital Pty Ltd. (ACN 078 336 044) ("Samuel"), a company associated with Nicholas Mather, pursuant to which Samuel is engaged as an independent contractor to the Company. Samuel is appointed to provide the Company with the following services including, but not limited to (i) causing and procuring the services of an executive director, who shall discharge all of the duties expected of an executive director of a publicly listed gold and copper exploration company, (ii) preparing and submitting work programs and budgets for all proposed Company activities to the Board for their approval on a six monthly update basis, (iii) managing and delivering

the implementation of acquisition and divestment strategies, (iv) liaising with corporate and financial advisors, bankers, regulators and independent consultants; (v) managing broker and investor liaison and promotional activities, (vi) preparing and executing capital raisings, corporate restructures and change of control transactions, (vii) presenting activity reports and new business proposals to the Board; and (viii) executing Board directives. ("Samuel Services"). In consideration for the provision of the Samuel Services, Samuel is entitled to an annual fee (exclusive of GST) of AUS\$400,000, payable in monthly installments ("Consultancy Fee"). 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.

Every six months during the term of the Samuel Consultancy Agreement, the Remuneration Committee will undertake a review of the performance of Samuel in providing the Samuel 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 per cent. of the value of the Consultancy Fee at that time) is to be awarded to Samuel having regard to certain key performance indicators (such as surpassing targeted works, time estimates and cost savings, growth of the Company's business through acquisitions and other strategies, risk management and safety performance and share price performance of the Company).

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 Samuel Consultancy Agreement also provides for the payment of AUS\$100,000 for past unpaid services and AUS\$187,497 by way of prepayment of the Consultancy Fee.

The Samuel Consultancy Agreement provides for the issue for nil consideration (subject to any necessary regulatory consents or approvals) to Samuel (or its nominee) of 26.25 million options that are non-transferable and exercisable immediately from the date of their issue, have an exercise price of £0.60 option and expire 3 years after the date of their issue.

The Company will reimburse Samuel for all reasonable and necessary expenses incurred in the performance of the Services on the production of documentary evidence acceptable to the Company. Samuel is also entitled to be reimbursed for the cost of two return business class international airfares for Nicholas Mather's spouse each year during the term of the Samuel Consultancy Agreement.

The Samuel Consultancy Agreement can be terminated by Samuel, by giving 3 months' written notice to the Company, or by the Company, by giving 12 months' written notice to Samuel. If Samuel gives notice, the Company may in lieu of retaining the services of Samuel for the notice period, elect to pay Samuel the balance of the notice period. If the Company gives notice, Samuel may by written notice require the Company to pay the Consultancy Fees for the balance of the notice 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, the Company may terminate the Samuel Consultancy Agreement without payment of any fees, remuneration or compensation (other than that which has already accrued). The Samuel Consultancy Agreement is governed by the laws of Queensland, Australia.

9.2 ***Non-Executive Appointment Terms***

Brian Moller, Non-Executive Director

Brian Moller entered into a letter of appointment with the Company dated on or around 13 December 2005. Mr Moller was appointed as Non-Executive Director of the Company. The appointment may be terminated with three months' written notice given by the Company or Mr Moller and in the event that Mr Moller ceases to be a Director of the Company. Mr Moller is entitled to director's fees of AUS\$50,000 per annum at the date of this document, and will be paid such fees as shall be determined by the Board in accordance with the Articles from time to time. If the Company is obliged under the laws of Australia to superannuate Mr Moller, it will do so at the applicable rates under Australian law. Mr Moller has agreed to comply with certain post-termination restrictions in his letter of appointment, including in relation to the disclosure of confidential information, non-solicitation of employees, clients and contacts of the Company for a period of 12 months after his appointment is terminated and employment of senior employees of the Company a period of 12 months after his appointment is terminated. The letter of appointment is governed by English law.

John Bovard, Non-Executive Director

John Bovard entered into a letter of appointment with the Company dated 18 December 2009. Mr Bovard was appointed as Non-Executive Director of the Company. The appointment may be terminated with three months' written notice given by the Company or Mr Bovard and in the event that Mr Bovard ceases to be a Director of the Company. Mr Bovard is entitled to director's fees of AUS\$50,000 per annum at the date of this document, and will be paid such fees as shall be determined by the Board in accordance with the Articles from time to time. Mr Bovard has agreed to comply with certain post-termination restrictions in his letter of appointment, including in relation to the disclosure of confidential information, non-solicitation of employees, clients and contacts of the Company for a period of 12 months after his appointment is terminated and employment of senior employees of the Company for a period of 12 months after his appointment is terminated. The letter of appointment is governed by English law.

Robert Maurice Weinberg, Non-Executive Director

Robert Maurice Weinberg entered into a letter of appointment with the Company dated 12 December 2005. Mr Weinberg was appointed as Non-Executive Director of the Company. The appointment may be terminated with 3 months' written notice given by the Company or by Mr Weinberg and in the event that Mr Weinberg ceases to be a Director of the Company. Mr Weinberg is entitled to director's fees of AUS\$50,000 per annum at the date of this document, and will be paid such fees as shall be determined by the Board in accordance with the Articles from time to time. Mr Weinberg has agreed to comply with certain post-termination restrictions in his letter of appointment, including in relation to the disclosure of confidential information, non-solicitation of employees, clients and contacts of the Company for a period of 12 months after his appointment is terminated and employment of senior employees of the Company for a period of 12 months after his appointment is terminated. The letter of appointment is governed by English law.

Craig Jones, Non-Executive Director

Craig Jones entered into a letter of appointment with the Company dated 27 February 2017. Mr Jones was appointed as Non-Executive Director of the Company. The term contemplated under the letter of appointment continues until retirement by rotation under the Articles unless terminated earlier, however, Mr Jones's service to the Company may be affected by the Newcrest Subscription Agreement, pursuant to which Newcrest International has certain director appointment rights depending on its percentage shareholding in the Company. The appointment will continue for further terms if Mr Jones is re-elected at future annual general meetings. The appointment may be terminated with three months' written notice given by the Company or by Mr Jones and in the event that Mr Jones ceases to be a Director of the Company. Mr Jones is entitled to director's fees of AUS\$50,000 per annum at the date of this document, and will be paid such fees as shall be determined by the Board in accordance with the Articles from time to time. Mr Jones is subject to certain restrictive covenants following the termination of his appointment for a period of 12 months which includes non-solicitation of clients and employees of the Company. Mr Jones has agreed to comply with certain post-termination restrictions in his letter of appointment, including in relation to the disclosure of confidential information, non-solicitation of employees, clients and contacts of the Company for a period of 12 months after his appointment is terminated and employment of senior employees of the Company for a period of 12 months after his appointment is terminated. The letter of appointment is governed by English law.

9.3 Deeds of Indemnity

The Company has entered into deeds of indemnity in favour of each of the Directors indemnifying them in respect of any liability suffered or incurred by him in the proper discharge of his duties as an officer of the Company to the fullest extent permitted by law ("Deeds"). The Deeds are governed by and construed in accordance with the laws of Queensland, Australia.

9.4 **Consultancy arrangements**

Jason Ward, Consultant/Country Manager

On 1 July 2015, the Company entered into a services contract with Jason Ward ("Mr Ward"), pursuant to which Mr Ward was 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 Ward Consultancy Agreement on a day-rate basis and in consideration for such services (as varied by the parties by way of letter dated 1 October 2016), Mr Ward receives A\$1,430 (exclusive of GST) per day (based upon a 7.5 hour day) in a combination of cash and Ordinary Shares.

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.

9.5 **Service Contracts**

Karl Schlobohm, Company Secretary

On 1 July 2015, the Company entered into a service contract with Millbohm Consulting Group Pty Ltd. (ACN 094 474 218) ("Millbohm"), a company associated with the Company's secretary, Karl Schlobohm ("Millbohm Services Contract"). Pursuant to the Millbohm Services Contract, Millbohm was engaged as an independent contractor to the Company on a non-exclusive basis until such time as the contract is terminated. Millbohm is engaged to provide primarily company secretarial related services to the Company and is required to devote 47 weeks per year to the Company. In consideration for the services provided under the Millbohm Services Contract (as varied by the parties by way of letter dated 1 October 2016), Millbohm receives A\$66,000 (exclusive of GST) per annum.

Either party may terminate the Millbohm Services Contract at any time by giving the other party 3 months' written notice, or in the absence of notice or the full period of notice, upon payment to the other party of compensation for short notice. However, in the event that in the 12 month period following the Company undergoing a "change of control" (which includes where any person or entity acquires fifty percent or more of the Company's shares in issue), either (i) the Millbohm Services Contract is terminated, or (ii) Millbohm is removed or required to resign, in which case the Company must give 6 months' written notice to Millbohm (or pay an amount equivalent to 6 months' fees).

The Company may also terminate the Millbohm Services Contract at any time without notice for cause (for example, where the conduct of Millbohm is fraudulent or illegal or where Millbohm is in breach of the Millbohm Services Contract).

The Millbohm Services Contract is governed by the laws of Queensland, Australia.

Benn Whistler, Technical Services Manager

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

Mr Whistler is engaged to manage the technical services and technical team business unit of the Company and to assist the Country Manager, Jason Ward. In consideration for the services provided under the Whistler Services Agreement (as varied by the parties by way of letter dated 1 October 2016), Mr Whistler is entitled to receive an annual base salary of A\$278,784 (inclusive of statutory superannuation entitlements), he may be invited to participate in the Share Plan and may be entitled

to receive an annual bonus payment as determined by the Board (subject to the satisfaction of key performance indicators).

Mr Whistler may terminate the Whistler Services Agreement by giving 3 months' written notice of termination to the Company (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 ("Diminution Termination"). The Company may terminate the Whistler Services Agreement without cause by giving 3 months' notice, or immediately in the event of serious misconduct by Mr Whistler. In the event of Diminution Termination, but subject to any applicable statutory or securities law restrictions or approvals required, the Company will pay Mr Whistler such sum as is equal to 3 months of his annual base salary (inclusive of any other payments to which he might be entitled on termination).

The Whistler Services Agreement is governed by the laws of Queensland, Australia.

Lazaro Roque-Albelo, Manager of Latin American Affairs

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

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 (i) assisting in relation to environmental management plan and related matters in Ecuador and other Latin American countries, (ii) overseeing community relations and governmental relations in Ecuador and other Latin American countries, (iii) advising in relation to health and safety related issues in Ecuador and other Latin American countries, (iv) assisting senior management of ENSA in relation to Ecuadorian mining exploration projects, (v) 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), (vi) assistance with the acquisition of other projects and tenures in Ecuador and other Latin American countries, and (vii) supervising all stakeholder relations matters in respect of Ecuador and other Latin American countries.

In consideration for the provision of his services under the LRA Services Agreement, Mr Roque-Albelo is entitled to receive an annual base salary of AUS\$275,000 (plus statutory superannuation contributions), he may be invited to participate in the Share Plan 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 per cent. of annual base salary.

Mr Roque-Albelo may terminate the LRA Services Agreement by giving 6 months' written notice of termination to the Company (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 ("Diminution Termination"). The Company may terminate the LRA Services Agreement without cause by giving 6 months' notice, or immediately in the event of serious misconduct by Mr Roque-Albelo.

In the event of Diminution Termination, but subject to any applicable statutory or securities law restrictions or approvals required, the Company will pay Mr Roque-Albelo such sum as is equal to 6 months of his annual base salary (inclusive of any other payments to which he might be entitled on termination).

The LRA Services Agreement is governed by the laws of Queensland, Australia.

- 9.6 Save as disclosed above, there are no existing or proposed service agreements between any of the Directors and the Company. Save as disclosed above, none of the service agreements referred to above, contains a right to benefits (other than those due during the notice period under the contract) upon termination.

10. Investments

The Company has not made any major investments from incorporation and up to the date of this document.

11. Principal Establishments

11.1 The following is a summary of the principal establishments occupied by the Group:

11.1.1 Av. 12 de Octubre N26-97 y Abraham Lincoln, Edif. Torre 1492, piso 11, oficina 1101, Quito, Ecuador; and

11.1.2 Level 27, 111 Eagle Street, Brisbane QLD 4000 Australia.

11.2 There are no material environmental issues affecting the Group's utilisation of the properties referred to above.

12. Material Contracts

12.1 The following is a summary of those material contracts, not being contracts entered into in the ordinary course of business, which have been entered into by the Company or any member of the Group within the two years immediately preceding the date of this document and of those other contracts, not being contracts entered into in the ordinary course of business by any member of the Group, that contain provisions under which the Company and/or any member of the Group has an obligation or entitlement which is or may be material to the Group as at the date of this document:

12.1.1 *Newcrest Subscription Agreement*

On 30 August 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 26 September 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 agreed to subscribe 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.

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 (the "Board Appointment Right") for so long as Newcrest International, Newcrest Mining or any wholly owned subsidiary (together, "Newcrest") holds at least 10 per cent. of the total number of Ordinary Shares in issue (the "Newcrest Minimum Holding"). 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, and provided the Company has complied with its obligations pursuant to the Anti-Dilution Right (as defined below), Newcrest must procure the resignation of any nominated director and the Board Appointment Right ceases to apply.

Subject to the passing of any necessary authorised share capital 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 per cent. 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 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 per cent. of the Ordinary Shares, Newcrest International shall have 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 per cent. of the Ordinary Shares then issued and outstanding.

If at any time before a Relevant Transaction, Newcrest International holds less than 5 per cent. of the Ordinary Shares as a result of failing to take part in an earlier Relevant Transaction or due to a voluntary sale of Ordinary Shares, 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 pursuant to a New Issue will be the 10 day VWAP calculated as at the date 10 business days after completion of the Other Transaction.

Subject to the passing of any necessary authorised share capital 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 period commenced on 18 October 2016) (each a “Relevant Period”) Newcrest International holds at least 5 per cent. 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”), 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 Newcrest International holds the same percentage of Ordinary Shares 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, 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 satisfy its entitlement under the Top-Up Right, 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 per cent. 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 holds less than 5 per cent. 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, the Top-Up Right ceases to apply.

Newcrest International has undertaken to the Company that until 17 October 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 per cent. 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 per cent. of all Ordinary Shares to whom the Offer has been made have accepted the Offer (excluding Newcrest International);
- (c) that it will vote on any authorised share capital resolution or disapplication resolution in respect of which holders of at least 60 per cent. 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. liaise with other shareholders with a view to voting against any authorised share capital resolution or any disapplication resolution;
- (d) that subject to the 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. liaise with other Shareholders with a view to voting against any Board Recommendation; and
- (e) for so long as Newcrest International holds at least 5 per cent. of the Ordinary Shares, 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;
or

- 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 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 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.

The Newcrest Subscription Agreement contains warranties given by each of the Company and Newcrest International. The warranties expire on the date falling 12 months after the date of completion of the Newcrest Subscription Agreement. The maximum liability of each of the Company and Newcrest International under the warranties is capped at an amount equal to the gross proceeds received by the Company pursuant to the Newcrest Subscription Agreement.

The Newcrest Subscription Agreement and Further Deed of Variation are governed by the laws of Queensland, Australia.

12.1.2 *Cornerstone Term Sheet*

On 24 February 2014, the Company entered into a binding term sheet ("Cornerstone Term Sheet") with Cornerstone, Cornerstone Ecuador and ENSA. Pursuant to the Cornerstone Term Sheet, it was acknowledged and agreed that the Company had made a placement in Cornerstone of CAD\$200,000 on or around 18 February 2013, in return for which it received a 20 per cent. equity interest in ENSA and such number of Cornerstone shares based on CAD\$200,000 divided by an issue price of the higher of CAD\$0.05 or the 7 day VWAP per Cornerstone share. It was further acknowledged and agreed that on or before 24 March 2013, the Company had exercised its right to make a placement in Cornerstone of CAD\$250,000 and in return the Company received such number of Cornerstone shares based on CAD\$250,000 divided by an issue price of the higher of CAD\$0.05 or the 7 day VWAP per Cornerstone share and an additional 10 per cent. equity interest in ENSA. The Company was also granted the right but not the obligation to elect to make a placement in Cornerstone of CAD\$500,000 and in return the Company would receive such number of Cornerstone shares based on CAD\$500,000 divided by an issue price of the higher of CAD\$0.05 or the 7 day VWAP per Cornerstone share and an additional 20 per cent. equity interest in ENSA ("Third Subscription"). The Third Subscription was completed on or around 28 August 2013, bringing the Company's aggregate shareholding in ENSA to 50 per cent. Pursuant to the Cornerstone Term Sheet, the Company was also granted the right but not the obligation to elect to make a placement in Cornerstone of CAD\$250,000 at any time after the date of the Cornerstone Term Sheet but prior to the date being 50 days after receipt of all assay results from the first phase drilling program to 2,500 metres in the Cascabel Project. In return, the Company would receive Cornerstone shares and an additional 35% equity interest in ENSA, by way of, at the Company's election, either a new issue or transfer from Cornerstone Ecuador ("Optional Subscription"), which would bring the Company's stake in ENSA to 85 per cent. The Company exercised this right and the Optional Subscription completed on or around 25 February 2014.

Under the terms of the Cornerstone Term Sheet, in the event that Cornerstone Ecuador's equity interest in ENSA falls below 10 per cent., its equity interest will be converted to a 0.5 per cent. interest in the NSR and the Company will have the right to purchase the 0.5 per cent. interest in the NSR from Cornerstone for an aggregate consideration of US\$3,500,000. The Company is also entitled under the terms of the Cornerstone Term Sheet to buy out the NSR royalty payable pursuant to the ENSA SPA, as more particularly described in paragraph 12.1.5 of this Part IV below.

The Cornerstone Term Sheet is governed by the laws of Queensland, Australia and matters relating to the Cascabel Project are governed by the law of the Republic of Ecuador.

12.1.3 *Maxit Subscription Agreement*

On 25 August 2016, the Company and Maxit Capital, acting by its general partner, Maxit Capital Inc., entered into the Maxit Subscription Agreement, pursuant to which Maxit Capital agreed to subscribe for 12,501,563 Ordinary Shares at a price of US\$0.08 per Ordinary Share for aggregate gross proceeds of US\$1,000,125. Subscribers procured by Maxit Capital (the “Other Subscribers”) subsequently entered into individual subscription agreements (the “Other Subscription Agreements”), pursuant to which the Other Subscribers agreed to subscribe for 256,317,441 Ordinary Shares at a price of US\$0.08 per Ordinary Share for aggregate gross proceeds of US\$14,535,000. The total gross proceeds received by the Company pursuant to the Maxit Subscription Agreement and Other Subscription Agreements was US\$15,709,381.

In consideration for Maxit Capital entering into the Maxit Subscription Agreement and procuring that the Other Subscribers entered into the Other Subscription Agreements (together, the “Maxit Subscription”), the Company agreed to pay or issue:

- (i) a cash fee paid on completion of the Maxit Subscription equal to 6 per cent. of the aggregate gross proceeds raised pursuant to the Maxit Subscription. The cash fee can, at Maxit Capital's election, be settled by the issue and allotment of Ordinary Shares;
- (ii) such number of Options which are equal to 3 per cent. of the Ordinary Shares issued pursuant to the Maxit Subscription with an exercise price of 14p and which will expire on the date falling 24 months after the date of completion of the Maxit Subscription; and
- (iii) such number of Options which are equal to 3 per cent. of the Ordinary Shares issued pursuant to the Maxit Subscription with an exercise price of 28p and which will expire on the date falling 24 months after the date of completion of the Maxit Subscription.

The Maxit Subscription Agreement granted Maxit Capital the option to request the Company within 45 days of completion to issue up to an aggregate of 187,500,000 Ordinary Shares at a price of US\$0.08 per Ordinary Shares.

Pursuant to the Maxit Subscription Agreement, the Company granted to Maxit Capital the right to nominate one person to be appointed as a director of the Company within 30 days of completion of the Maxit Subscription. In the event that Maxit Capital's percentage interest in the capital of the Company falls below its percentage interest held immediately following the issue of Ordinary Shares to Maxit Capital pursuant to the Maxit Subscription through a voluntary sale of Ordinary Shares, Maxit Capital must procure the resignation of its nominated director and shall have no further rights to make another appointment. The Company retains the right to take any steps necessary to remove Maxit Capital's nominated director in the event that Maxit Capital fails to do so.

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 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 Maxit Subscription (excluding the proceeds attributable to the Other Subscription Agreements).

The Maxit Subscription Agreement is governed by the laws of Queensland, Australia.

12.1.4 *Maxit Second Subscription Agreement*

On 11 October 2016, the Company and Maxit Capital, acting by its general partner, Maxit Capital Inc., entered into the Maxit Second Subscription Agreement, pursuant to which Maxit Capital agreed to subscribe for 2,513,359 Ordinary Shares at a price of US\$0.16 per Ordinary Share for aggregate gross proceeds of US\$402,137. Subscribers procured by Maxit Capital (the “Other Subscribers”) subsequently entered into individual subscription agreements (the

“Other Subscription Agreements”), pursuant to which the Other Subscribers agreed to subscribe for 60,839,979 Ordinary Shares at a price of US\$0.16 per Ordinary Share for aggregate gross proceeds of US\$9,734,397. The total gross proceeds received by the Company pursuant to the Maxit Second Subscription Agreement and Other Subscription Agreements was US\$10,136,534.

In consideration for Maxit Capital entering into the Maxit Second Subscription Agreement and procuring that the Other Subscribers entered into the Other Subscription Agreements (together, the “Maxit Second Subscription”), the Company agreed to pay or issue:

- (i) a cash fee paid on completion of the Maxit Second Subscription equal to 6 per cent. of the aggregate gross proceeds raised pursuant to the Maxit Second Subscription, plus 6 per cent. of any subscription funds received by the Company in excess of US\$10,856,640. The cash fee can, at Maxit Capital’s election, be settled by the issue and allotment of Ordinary Shares; and
- (ii) 7,833,730 Options, of which 3,916,865 Options will have an exercise price of 14p and will expire on the date falling 24 months after the date of completion of the Maxit Second Subscription, and 3,916,865 Options will have an exercise price of 28p and will expire on the date falling 24 months after the date of completion.

The Maxit Second 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 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 Subscription (excluding the proceeds attributable to the Other Subscription Agreements).

The Maxit Second Subscription Agreement is governed by the laws of Queensland, Australia.

12.1.5 *ENSA SPA*

On 23 March 2011, the Sellers, Cornerstone Ecuador and ENSA entered into the ENSA SPA, pursuant to which the Sellers agreed to sell the entire issued share capital of ENSA to Cornerstone Ecuador for an aggregate purchase price of US\$20,000. Cornerstone Ecuador also agreed to pay an additional US\$766.13 to Santa Barbara Resources representing the balance due to Santa Barbara Resources following an assessment of ENSA’s accounts payable, accounts receivable and cash at bank.

Pursuant to the ENSA SPA, in the event of commercial exploitation of the Projects, the Sellers are also entitled to a royalty equal to 2 per cent. NSR on future production. Cornerstone Ecuador has the option to purchase 1 per cent. of the NSR royalty for each of the Projects individually by paying the Sellers US\$1,000,000 during the period of 3 months following the conclusion of the feasibility study of the deposit by Cornerstone Ecuador. Cornerstone Ecuador also has the option to purchase the remaining 1 per cent. of the NSR royalty for each of the Projects individually by paying US\$3,000,000 to the Sellers during the period of 3 months following commencement of production.

Cornerstone Ecuador further agreed to pay US\$3,024 in relation to the technical audits carried out in 2010 and to pay all costs associated with the preparation and signature of the ENSA SPA.

Santa Barbara Resources agreed to compensate Cornerstone Ecuador 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 Resources.

The Sellers provided Cornerstone Ecuador with guarantees as to (i) existence and due incorporation of Santa Barbara Resources, (ii) their respective capacity to sell the sale shares, (iii) the share capital of Santa Barbara Resources, (iv) title to the Projects free of

encumbrances, property, (v) compliance with laws, (vi) possession of licences and authorisations, (vii) litigation, (viii) books and records, and (ix) false and erroneous statements and omissions.

The ENSA SPA also provides that Santa Barbara Resources would compensate and hold harmless Cornerstone and its shareholders, officers, representatives, officials and employees with respect to any loss, damage, liability, costs and expenses, reasonable attorney fees and amounts paid to liquidation that occur as a result of (i) ENSA having any debt, liability or obligation of any kind except as reflected in its financial statements, (ii) there being an audit, dispute or claim pending by any Government or third parties on any matter, including taxation, (iii) litigation and contingencies.

In the event of any dispute between the parties, they agreed to follow the arbitration procedures set out in the ENSA SPA at the centre of arbitration and mediation of the Chamber of Commerce of Quito.

The ENSA SPA is governed by and construed in accordance with the laws of the Republic of Ecuador.

12.1.6 *Environmental Licence*

On 23 August 2013, pursuant to the terms of Resolution No. 618, the Ministry of Environment of the Republic of Ecuador, acting through the Environment Minister Lorena Tapia Núñez, resolved, *inter alia*, to:

- (i) approve the environmental impact assessment for the advance exploration phase of metallic minerals at the Cascabel Project ("EIA"); and
- (ii) give an environmental licence to ENSA for the advance exploration phase of metallic minerals at the Cascabel Project, subject to strict compliance with the EIA.

Pursuant to the terms of the Environmental Licence, ENSA must, *inter alia*:

- (i) comply with the environmental regulations applicable to national and local level and as set out in the EIA and the approved environmental management plan ("Management Plan");
- (ii) maintain a continuous monitoring and follow up program in accordance with the measures contemplated in the Management Plan and report its results to the Ministry of Environment every 6 months;
- (iii) present audit environmental reports to the Ministry of Environment in accordance with Article 14 of the Mining Law Reform, published in the Official Register Second Supplement 37 of 16 July 2013;
- (iv) provide facilities for the technical staff of the Ministry of Environment to control and follow up on the Management Plan;
- (v) ensure its advance exploration activities are development within the mining interest declared in the EIA;
- (vi) comply with Ministerial Agreement No.161 of 31 August 2011 in relation to the control and prevention of chemical dangerous substances and hazardous waste, and to register as a generator of hazardous waste; and
- (vii) maintain in force the guarantee of performance bond of the Management Plan during the validity of the project.

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.

12.1.7 *Cascabel Concession*

On 30 April 2010, the Ministry of Non-Renewable Natural Resources, acting through the Undersecretariat of Mining, resolved to replace the previous mining concession granted in favour of ENSA on 5 January 2007 relating to the Cascabel Project with the Cascabel Concession on, *inter alia*, the following terms:

- (i) the Cascabel Concession covers an area of 5,000.00 contiguous mining hectares located in the parishes Lits, Carolina, Jijon y Caamaño (Rio Blanco), cantons Ibarra, Mira, Provinces of Imbabura, Carchi;
- (ii) the Cascabel Concession was granted for a term of 25 years, commencing on the date of registration with the Mining Registry;
- (iii) ENSA is obliged to pay conservation patent, royalties and other tax obligations in the form and amounts sets out in the Mining Act, the General Rules of the Mining Act and Regulation of the Special Scheme for Artisanal and Small-scale Mining, respectively;
- (vi) ENSA must submit the reports required in the Mining Act and its Regulations on the dates set out therein during the term;
- (v) ENSA must strictly observe environmental and social rules referred to in the Mining Act, the Environmental Management Act, the General Rules of the Mining Act, the Environmental Regulations on Mining Activities in the Republic of Ecuador, and all other regulations in force;
- (vi) ENSA must preserve the mental and physical health and life of its technical staff and workers, applying mining-industrial safety and hygiene standards in accordance with Article 68 of the Mining Act;
- (vii) the rights derived from the Cascabel Concession will become extinct in accordance with the grounds determined in the Mining Act and General Regulations; and
- (viii) ENSA is obliged to keep permanent training processes and programs for its staff at every level and these must be reported periodically to the Ministry of Non-Renewable Natural Resources.

The Cascabel Concession was registered with the Mining Registry on 7 May 2010.

12.1.8 *Advanced Exploration Concession*

On 17 September 2014, the Ministry of Non-Renewable Natural Resources, acting through the North Regional Undersecretariat of Mining, resolved to grant authorisation to ENSA for commencement of the advanced exploration phase at the Cascabel Project (“Advanced Exploration Concession”), on *inter alia* the following terms:

- (i) the Advanced Exploration Concession, which relates to a reduced surface area in accordance with article 37 of the Mining Act, grants an additional period of up to four years to perform advanced exploration activities at the Cascabel Project, commencing on the date of registration of the resolution granting the Advanced Exploration Concession with the Mining Registry;
- (ii) ENSA is obliged to observe all applicable provisions in the Ecuadorian legislation regulating exploration stages and comply with applicable environmental laws in Ecuador; and
- (iii) the resolution granting the Advanced Exploration Concession must be notarised, registered and provided to the Ministry of Non-Renewable Natural Resources.

The resolution was registered with the Mining Registry on 7 October 2014.

12.1.9 *Water Concession*

On 26 July 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 (“Water Concession”), on *inter alia* the following terms:

- (i) the water intake shall be a permanent water volume of 1.5 litres per second per water intake, with a total of 7.5 permanent litres per second, and is to be used in mining and industrial exploration activities within the area authorised by the Ministry of Mines located in Parish Lita Canton Ibarra province of Imbabura;
- (ii) ENSA must submit to the Mira Hydrographic Demarcation the designs and drawings corresponding to the collection and conduction works of the flow, in order to be approved by the demarcation within 90 days;
- (iii) the Water Concession shall be granted for a term of ten years, which period shall be renewable;
- (iv) ENSA shall pay \$1.08 per litre per second to the National Water Secretariat; and
- (v) within one year of the Water Concession being granted, ENSA shall mandatorily reforest the area of influence of the water area and will avoid the indiscriminate logging of the Andean Forest, the burning of vegetation existing in the sector and all forms of contamination of the Water Concession are prohibited.

12.1.10 *Additional Services Agreement*

In anticipation of Admission, on 21 March 2017, the Company and DGR Global entered into an administration services agreement (“Additional Services Agreement”), agreeing to update and supersede the terms and conditions of their previous administration services agreement dated 18 November 2005, pursuant to which DGR Global provided administration services to the Company as an independent contractor. DGR Global granted a non-exclusive licence to the Company to occupy Level 27, 111 Eagle Street, Brisbane QLD 4000 Australia for the term of the Additional Services Agreement for the purpose of carrying out the business of the Company, including use of office furniture, equipment, IT infrastructure, maintenance, general corporate support services, public investor and shareholder website establishment and payroll and accounts services.

The Company agreed to pay DGR Global AUS\$30,000 (plus GST) per month, payable within thirty days of receipt of an invoice for the provision of the services, for a term of two years from the date of the Administration Services Agreement, as may be extended from time to time. Interest is payable on invoices that remain outstanding after thirty days of the invoice date at an aggregate rate of 2 per cent. plus such additional percentage being fixed by DGR Global’s banker for commercial overdrafts exceeding AUS\$100,000. At the end of each twelve month period commencing on the date of the Additional Services Agreement, the parties have agreed to review the service fee payable, having regard to the services being provided and the market on which the Company is listed. The Company will pay any stamp duty assessed on the Additional Services Agreement.

DGR Global agreed to attend to the discharge of all the outgoings of the Company’s business, but the Company remains liable for all such outgoings and shall reimburse DGR Global for any costs it incurs related to the outgoings. DGR Global shall conduct all its business in its own name and be responsible for all expenses of its employees, agents and activities including in relation to providing the services under the Additional Services Agreement.

Either party may terminate the Additional Services Agreement in the event of a material breach of the agreement which is not remedied within 10 Business Days of written notice, or upon giving six months’ written notice to the other party, or if a change of control occurs in relation to the other party. No assignment is permitted under the Additional Services Agreement. The Additional Services Agreement is governed by the laws of Queensland, Australia.

- 12.1.11 On 21 June 2017, the Company, Newcrest International and Newcrest Mining entered into a third deed of variation in order to vary the terms of the Newcrest Subscription Agreement (“**Third Deed of Variation**”). Pursuant to the terms of the Third Deed of Variation, the Newcrest Subscription Agreement was varied by the parties agreeing, inter alia, to increase Newcrest International’s Anti-Dilution Right to 14.54 per cent. for a period of 12 months from the date of the Third Deed of Variation. Following the expiry of this period, Newcrest International’s Anti-Dilution Right will reduce to 10 per cent. in accordance with the Newcrest

Subscription Agreement. All other provisions of the Newcrest Subscription Agreement are stated to continue in full force and effect.

The Third Deed of Variation is governed by the laws of Queensland, Australia.

13. Employees

- 13.1 As at 30 June 2016, the Group employed approximately 119 employees. The split of employees and contractors by area of activity is as follows:

<i>Activity</i>	<i>Employees</i>	<i>Consultants/ Contractors</i>
Corporate finance and administration	11	0
Technical	108	0

14. Legal And Arbitration Proceedings

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had during the 12 months prior to the date of this document a significant effect on the financial position or profitability of the Group.

15. Working capital

The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this document.

16. Related party transactions

Except as disclosed in Part III and the Appendices of this document the Company was not party to any related party transactions.

17. United Kingdom Taxation

17.1 General

The following statements do not constitute tax advice and are intended only as a general guide to current UK law as applied in England and Wales and HM Revenue & Customs ("HMRC") published practice, which may not be binding on HMRC, as at the date of this document (which are both subject to change at any time, possibly with retrospective effect). They relate only to certain limited aspects of the UK taxation treatment of Shareholders in connection with Admission and are intended to apply only, except to the extent stated below, to persons who are resident and, if individuals, domiciled in the UK for UK tax purposes, who are absolute beneficial owners of Ordinary Shares (otherwise than through an Individual Savings Account or a Self-Invested Personal Pension) and who hold the Ordinary Shares as investments (and not as securities to be realised in the course of a trade).

They may not apply to certain Shareholders, such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation and Shareholders who have (or are deemed to have) acquired their Ordinary Shares by virtue of an office or employment. Such persons may be subject to special rules.

Any person who is in any doubt as to their tax position, or who is subject to taxation in any jurisdiction other than the UK, should consult their own professional adviser without delay.

17.2 Taxation of dividends

(A) General

There is no UK withholding tax on dividends, including cases where dividends are paid to a Shareholder who is not resident (for tax purposes) in the UK.

(B) *Individual Shareholders*

Under current law, when the Company pays a dividend to a Shareholder who is an individual resident (for tax purposes) in the UK, the Shareholder will pay income tax on the amount received.

Dividend income is regarded as the top slice of the individual's income. Each individual currently has an annual dividend allowance of £5,000 which means that they will not pay tax on the first £5,000 of all dividend income that they receive (the "Dividend Allowance"). The UK Government has announced that, with effect from April 2018, the amount of the Dividend Allowance will be reduced to £2,000.

Dividends in excess of the Dividend Allowance are taxed at the individual's marginal rate of tax. Where the dividend income falls within the basic rate income tax band that dividend income is taxable at 7.5 per cent. Where the dividend income falls within the higher rate income tax band, that dividend income is taxable at 32.5 per cent. and where it falls within the additional rate income tax band, it is taxable at 38.1 per cent. (the "dividend additional rate").

The annual Dividend Allowance available to individuals is not available to UK resident trustees of a discretionary trust. Instead UK resident trustees of a discretionary trust in receipt of dividend income are liable to income tax at a rate of 38.1 per cent., which mirrors the dividend additional rate.

(C) *Corporate Shareholders*

Shareholders within the charge to UK corporation tax which are "small companies" (for the purposes of UK taxation of dividends) will not generally expect to be subject to tax on dividends from the Company. Other Shareholders within the charge to UK corporation tax will not be subject to tax on dividends from the Company so long as the dividends fall within an exempt class and certain conditions are met. In general, (i) dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to a company's assets on its winding up and (ii) dividends paid to a person holding less than, among other things, 10 per cent. of the issued share capital of the payer (or any class of that share capital) are examples of dividends that fall within an exempt class.

17.3 **Taxation of chargeable gains**

(A) *Individual Shareholders*

A disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK capital gains tax, depending on the circumstances and subject to any available exemption or relief. For Shareholders who are UK tax resident or only temporarily non-UK tax resident, capital gains tax at the rate of tax of 10 per cent. (for basic rate taxpayers) or 20 per cent. (for higher or additional rate taxpayers) may be payable on any gain (after any available exemptions, reliefs or losses).

(B) *Corporate Shareholders*

Where a Shareholder is within the charge to corporation tax, including cases where it is not resident (for tax purposes) in the UK, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss) for the purposes of UK corporation tax, depending on the circumstances and subject to any available exemption or relief. Indexation allowance may reduce the amount of chargeable gain that is subject to corporation tax, but may not create or increase any allowable loss.

(C) *Non-resident Holders*

A Shareholder that is not resident in the UK (and is not temporarily non-resident) for UK tax purposes and whose Ordinary Shares are not held in connection with carrying on a trade, profession or vocation in the UK generally will not be subject to UK tax on chargeable gains on the disposal of Ordinary Shares.

17.4 **Stamp Duty and Stamp Duty Reserve Tax (“SDRT”)**

The statements below (which apply whether or not a Shareholder is resident or domiciled in the UK) summarise the current position and are intended as a general guide only to stamp duty and SDRT. Certain categories of person are not liable to stamp duty or SDRT, and special rules apply to agreements made by broker dealers and market makers in the ordinary course of their business and to certain categories of person (such as depositaries and clearance services) who may be liable to stamp duty or SDRT at a higher rate or who may, although not primarily liable for tax, be required to notify and account for SDRT under the Stamp Duty Reserve Tax Regulations 1986.

No UK stamp duty or SDRT will be payable on the issue of Ordinary Shares pursuant to Admission, other than as explained below.

Dealings in Ordinary Shares will generally be subject to stamp duty or SDRT in the normal way. An instrument effecting the transfer on sale of Ordinary Shares will generally be liable to stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, to the nearest multiple of £5) of the amount or value of the consideration payable. However, where the amount or value of the consideration is £1,000 or less, and provided that the transfer does not form part of a larger transaction or series of transactions where the combined consideration exceeds £1,000, such instrument should be exempt from charge upon certification of such facts.

An unconditional agreement to transfer Ordinary Shares will generally be liable to SDRT at the rate of 0.5 per cent. of the amount or value of the consideration payable, but such liability will be cancelled, or a right to a repayment (generally, with interest) in respect of the payment of such SDRT liability will arise, if the agreement is completed by a duly stamped or exempt transfer within six years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser.

Subject to certain exemptions, a charge to stamp duty or SDRT will arise on the transfer of Ordinary Shares to a person providing a clearance service, its nominee or agent, or to an issuer of depositary receipts, its nominee or agent, where that transfer is not an integral part of an issue of share capital. The rate of stamp duty or SDRT, as the case may be, in such circumstances will generally be 1.5 per cent. of the amount or value of the consideration for the transfer or, in some circumstances, the value of the Ordinary Shares concerned, in the case of stamp duty rounded up, if necessary, to the nearest multiple of £5.

No stamp duty or SDRT will arise on a transfer of Ordinary Shares into the CREST system provided that the transfer is not for money or money's worth. Paperless transfers of Ordinary Shares within CREST are liable to SDRT (at a rate of 0.5 per cent. of the amount or value of the consideration payable) rather than stamp duty, and SDRT arising on the agreement to transfer Ordinary Shares under relevant transactions settled within the system or reported through it for regulatory purposes will generally be collected by CREST.

18. **Further Information**

- 18.1 There has been no significant change in the financial or trading position of the Group since 31 December 2016, except for the issue of a total of 3,340,000 Ordinary Shares to Newcrest International pursuant to the Newcrest Subscription Agreement, the exercise of employment Options raising gross amounts of £122,025, £420,000, £184,800 and £546,000 respectively and the issue of 78,889,080 Ordinary Shares pursuant to the Placing raising US\$41.2 million. Please refer to the section headed ‘Subsequent Events’ on page 150 of this document.
- 18.2 Application has been made by the Company for the Ordinary Shares to be admitted to the Official List. It is expected that Admission will take place on 21 August 2017.
- 18.3 Save as disclosed in this document, the Directors are not aware of any patents or other intellectual property rights, licenses, industrial, commercial or financial contracts or new manufacturing processes which are or may be of fundamental importance to the Group's business.
- 18.4 Save for the remuneration payable in respect of its role as reporting accountant and auditor to the Company, BDO LLP does not have a material interest in the Company.

- 18.5 Save for the remuneration payable in respect of its role as Competent Person, SRK Exploration Services Ltd does not have a material interest in the Company.
- 18.6 No public takeover bids have been made by third parties in respect of the Company's issued share capital since incorporation.
- 18.7 The expenses relating to Admission which are payable by the Company are estimated to amount to approximately £332,000 (excluding value added tax).
- 18.8 The Company does not have any restriction on borrowings that may materially affect its operations under its Articles.
- 18.9 In the event a takeover offer is made for Ordinary Shares in accordance with sections 974 to 991 of the Companies Act, the offerer may become entitled to acquire any Ordinary Shares which are not accepted by the offerees to the takeover offer in accordance with the provisions set out in the Companies Act.
- 18.10 Within this document, where information has been sourced from a third party, the Company confirms that this information has been accurately reproduced and, insofar as the Company is aware and is able to ascertain from information published by that party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where information has been sourced from a third party, the source of the information has been identified in this document.
- 18.11 The Ordinary Shares have all been issued in registered form (in either certificated or uncertificated form) and rank *pari passu* amongst themselves for all dividends and other distributions which may be declared, paid or made by the Company. All of the Ordinary Shares, which have been issued pursuant to the provisions of the Act and the Articles, have equal voting rights.
- 18.12 There are no restrictions on the transferability of the existing Ordinary Shares.
- 18.13 The Directors may permit the holding of Ordinary Shares in certificated and uncertificated form. Subject to the provisions of the CREST Regulations, title to such shares may be transferred by means of a relevant system (as defined in the CREST Regulations). The Registrar has responsibility for maintaining the Company's register of members.
- 18.14 The Competent Person has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to his name and the CPR in the form and context in which they appear and has authorised the contents of those parts of this document which comprise the CPR for the purposes of Rule 5.5.3R(2)(F) of the Prospectus Rules.
- 18.15 The Competent Person has over 16 years' experience in mineral exploration, resource estimation and mineral project evaluation. The Competent Person has previously worked at SRK Consulting (Peru S.A.), SRK Consulting (UK) Ltd, AXMIN Inc and Lankelma CPT.
- 18.16 The Company confirms that no material changes have occurred since the date of the CPR, the omission of which would make the CPR misleading.

19. Documents available for inspection

- 19.1 Copies of the following documents may be inspected, during normal business hours on working days, at the offices of Locke Lord (UK) LLP, 201 Bishopsgate, London EC2M 3AB during the life of this document:
- (a) this document;
 - (b) the Articles; and
 - (c) the audited consolidated accounts of the Group for the financial periods ended 30 June 2014, 30 June 2015 and 30 June 2016.

9 August 2017

PART V

DEFINITIONS

“2014 Financial Statements”	means the audited consolidated financial information for the twelve months ending 30 June 2014, as set out in Appendix D.
“2015 Financial Statements”	means the audited consolidated financial information for the twelve months ending 30 June 2015, as set out in Appendix C.
“2016 Financial Statements”	means the audited consolidated financial information for the twelve months ending 30 June 2016, as set out in Appendix B.
“2016 Unaudited Interim Financial Statements”	means the unaudited consolidated financial information for the six months ending 31 December, as set out in Appendix A.
“Acts”	means, for the purposes of the Articles, the Companies Acts (as defined in section 2 of the Companies Act 2006) insofar as they apply to the Company.
“Admission”	means the admission to trading of the Ordinary Shares to trading on the London Stock Exchange’s main market for listed securities.
“Advanced Exploration Concession”	means the advanced exploration authorisation granted to ENSA by the Ministry of Non-Renewable Resources on 17 September 2014 and registered with the Mining Registry on 7 October 2014.
“An Arm’s Length Sale”	means a sale to an unconnected party under which the beneficial ownership of the shares in question passes and shall include (but without limitation) a sale through a recognised investment exchange (as defined in the FSMA) or other recognised market or sale in connection with acceptance of a takeover offer for the Company (as defined in section 974 of the Acts).
“Articles”	means the articles of association of the Company as at the date of this document.
“ASX”	means the Australian Securities Exchange.
“Board”	means the board of directors of the Company, from time to time.
“Cascabel Concession”	means the exploration mining concession granted to ENSA by the Ministry of Non-Renewable Resources on 26 April 2010 and registered with the Mining Registry on 7 May 2010, which is identified by area code 402288.
“Cascabel Project”	means the porphyry copper- gold deposit located in northern Ecuador.
“City Code”	means the City Code on Takeovers and Mergers issued and administered by the Panel on Takeovers and Mergers.
“Code”	means the UK Corporate Governance Code issued by the Financial Reporting Council.
“Company”	means SolGold plc, company number 05449516, a public limited company incorporated in England and Wales.
“Companies Act” or “Act”	means the UK Companies Act 2006, as amended.

“Competent Person”	means Mr James Gilbertson of SRK Exploration Services Ltd.
“Convertible Note Deeds”	means the convertible note deeds entered into between the Company, DGR Global and Tenstar on 2 October 2015, carrying an interest rate of 9.5 per cent. per annum for a fixed term of 12 months.
“Cornerstone”	means Cornerstone Capital Resources Inc.
“Cornerstone Ecuador”	means Cornerstone Ecuador S.A., an Ecuadorian registered company incorporated under the laws of Ecuador.
“Corporations Act”	means the Australian Corporations Act 2001 (<i>Cth</i>).
“CPR”	means the technical report on the Cascabel Project prepared by the Competent Person dated 16 February 2017.
“Cracow West Licence”	means the exploration licence granted to Central Minerals Pty Ltd in respect of the Cracow West Project.
“Cracow West Project”	means the epithermal gold deposit located 260 km west-northwest of Gympie, Queensland, Australia.
“CREST Regulations”	means the Uncertificated Securities Regulations 2001, as amended.
“Disclosure Guidance and Transparency Rules”	means the FCA disclosure guidance and transparency rules made in accordance with section 73A of FSMA as amended from time to time.
“Directors”	the directors of the Company from time to time.
“DGR Global”	means DGR Global Limited, ACN 052 354 837, an Australian listed public company registered in Queensland, Australia.
“DGR Short Term Loan”	means the short term loan of AUS\$300,000 at an interest rate of 9.5 per cent. per annum, repayable on the earlier of the closing of the Open Offer or 30 June 2015.
“EEA States”	means the States of the European Economic Area.
“ENSA”	means Exploraciones Novomining S.A., an Ecuadorian registered company (formerly known as Santa Barbara Copper & Gold S.A.).
“ENSA SPA”	means the share purchase agreement dated 23 March 2011, entered into between the Sellers, Cornerstone Ecuador and ENSA, further details of which are set out in paragraph 12.1.5 of Part V of this document.
“Environmental Licence”	means the environmental licence granted to ENSA by the Ministry of Environment of Ecuador, dated 23 August 2013, permitting the advanced exploration phase of metallic minerals at the Cascabel Project.
“FCA”	means the Financial Conduct Authority.
“Financial Statements”	means the 2014 Financial Statements, 2015 Financial Statements, 2016 Financial Statements and 2016 Unaudited Interim Financial Statements.
“FSMA”	means the Financial Services and Markets Act 2000 (as amended).

“Further Deed of Variation”	means the deed of variation entered into between the Company, Newcrest International and Newcrest Mining on 26 September 2016 to vary the Newcrest Subscription Agreement, 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.
“IFRS”	means the International Financial Reporting Standards as issued by the International Accounting Standards Board.
“Group”	means the Company and the Subsidiaries.
“Listing Rules”	means the listing rules published by the UK Listing Authority.
“London Stock Exchange”	means London Stock Exchange plc.
“Mbetilonga Application”	means the Mbetilonga prospecting licence application which covers an area of approximately 46 km ² and is located approximately 8 km south of the capital of the Solomon Islands, Honiara.
“Market Abuse Regulation”	means the Market Abuse Regulation (EU) No 596/2014.
“Maxit Capital”	means Maxit Capital LP, a corporation registered in Canada with its registered office address at Brookfield Place, 181 Bay Street, Suite 830, Toronto, ON, M5J 2T3 .
“Maxit Subscription Agreement”	means the subscription agreement entered into between the Company and Maxit Capital on 25 August 2016, as more particularly described in paragraph 12.1.3 of Part IV of this document.
“Maxit Second Subscription Agreement”	means the second subscription agreement entered into between the Company and Maxit Capital on 11 October 2016, as more particularly described in paragraph 12.1.4 of Part IV of this document.
“Ministry of Energy and Mines”	means the Ecuadorian Ministry of Energy and Mines.
“Mount Perry Licence”	means the exploration licence granted to Acapulco Mining Pty Ltd in respect of the Mount Perry Project.
“Mount Perry Project”	means the porphyry vein gold deposit located 130 km northwest of Gympie, Queensland, Australia.
“Newcrest International”	means Newcrest International Pty Ltd., ACN 007 449 194, an Australian private company registered in Victoria, Australia.
“Newcrest Subscription Agreement”	means the subscription agreement entered into between the Company and Newcrest International on 30 August 2016, as more particularly described in paragraph 12.1.1 of part IV of this document.
“Non-Executive Director”	means the non-executive Directors of the Company.
“Normanby Licence”	means the exploration licence granted to Acapulco Mining Pty Ltd in respect of the Normanby Project.
“Normanby Project”	means the gold copper porphyry deposit located 120 km northwest of Mackay, Queensland, Australia.

“NSR”	means net smelter return, being the gross amount that the payer of the NSR has received from the sale of ores or concentrates or precipitates processed for the mine of minerals from the property or concession subject to NSR.
“Official List”	means the Official List of the UK Listing Authority.
“Open Offer”	means the open offer of Ordinary Shares for an issue price of 3 pence per Ordinary Share made by the Company on 18 March 2015, pursuant to which qualifying Shareholders were able to subscribe for Open Offer Shares on the basis of 1 Open Offer Share for every 6 Ordinary Shares the qualifying Shareholder held as of the specified record date.
“Open Offer Shares”	means the issuance of up to 114,290,838 Ordinary Shares pursuant to the Open Offer.
“Options”	means options to subscribe for Ordinary Shares.
“Ordinary Shares”	means ordinary shares of 1 penny each in the share capital of the Company.
“Placing”	the placing of 78,889,080 new Ordinary Shares for cash at 41p per Ordinary Share raising gross proceeds of US\$41,230,000 on or around 16 June 2017, such proceeds being utilised for continued exploration of the Cascabel Concession.
“Projects”	means, for the purposes of the ENSA SPA, each of the Cascabel Project, La Encrucijada, La Encrucijada 1, La Encrucijada 2, La Encrucijada 3 and Alumbre.
“Prospectus Rules”	means the Prospectus Rules made by the Financial Conduct Authority.
“Rannes Licence”	means the exploration licences granted to Central Minerals Pty Ltd in respect of the Rannes Project.
“Rannes Project”	means the epithermal gold deposit located 140 km west of Gladstone, Queensland, Australia.
“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 Concession or any part of the Cascabel Concession (including but not limited to any proposal to make any of the Cascabel Concession 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.
“Santa Barbara Resources”	means Santa Barbara Resources Limited, a company incorporated under the laws of the Province of British Columbia, Canada, which has now been dissolved.
“Securities Act”	means the US Securities Act of 1933, as amended.
“Senior Managers”	means Jason Ward, Priy Jayasuriya and Karl Schlobohm.
“Sellers”	means the selling parties under the ENSA SPA being Ms Silvia Janneth Chavez Arostegui and Santa Barbara Resources.

“Shareholder”	means a shareholder of the Company, from time to time.
“Share Incentive Plan”	means the Company’s share incentive plan which was adopted to incentive Shareholders as further described in paragraph 6 of Part IV of this document.
“Statutes”	means the CREST Regulations and all other statutes, orders, rules, regulations and other subordinate legislation for the time being in force concerning companies so far as they apply to the Company.
“Subsidiaries”	means the subsidiaries of the Company, as set out in paragraph 3.1 of Part IV of this document.
“Tenstar”	means Tenstar Trading Limited, a company duly incorporated under the laws of the British Virgin Islands.
“Top-Up Right”	means the anti-dilution right granted to Newcrest International pursuant to the Newcrest Subscription Agreement, as further described in paragraphs 12.1.1 and 12.1.11 of Part IV of this document.
“Unaudited Interim Financial Statements”	means the unaudited consolidated financial information for the six months ending 31 December 2015 and the 2016 Unaudited Interim Financial Statements.
“VWAP”	means volume weighted average price.

PART VI

GLOSSARY OF TECHNICAL TERMS

1. GLOSSARY OF TERMS

Accretion	Growth or increase in the land surface by gradual accumulation of sediments.
Actinolite	Amphibole silicate mineral with the chemical formula $\text{Ca}_2(\text{Mg}_{4.5-2.5}\text{Fe}^{2+}_{0.5-2.5})\text{Si}_8\text{O}_{22}(\text{OH})_2$.
Allochthonous	A terrane displaced from its parent geological unit and forming part of an unrelated geological unit.
Alteration	Alteration of a rock/mineral by geological forces.
Andesite	Fine-grained volcanic rock characterised by the presence of plagioclase feldspars and some combination of augite, orthopyroxene and hornblende.
Annular	Ring-shaped.
Arenite	Sedimentary rock with sand grain size between 0.0625 mm and 2 mm, containing less than 15 per cent. matrix.
Argyllic	Hydrothermal alteration characterised by the introduction of clay minerals including kaolinite, smectite and illite through the replacement of plagioclase and amphibole minerals. Grades into phyllic alteration at higher temperatures.
Artisanal	Non-mechanised.
Assay	The analysis of minerals, rocks and mine products to determine and quantify their constituent parts.
Basalt	A dark-coloured, fine-grained extrusive igneous rock composed of plagioclase feldspar, pyroxene, and magnetite, with or without olivine and not more than 53 per cent. SiO_2 .
Batholith	Large (more than 100 km ²) igneous intrusion, that may comprise several plutons amalgamated at depth. Commonly of granitic composition.
Bornite	Common and important copper ore mineral, Cu_5FeS_4 .
BQ Core	Drill core of 36.5 mm diameter.
Breccia	Coarse, clastic, sedimentary rock, the constituent clasts of which are angular. May also be applied to coarse, angular volcanic rocks from a volcanic vent (vent breccia).
Brecciation	The process of formation of a breccia.
Cadastre	A comprehensive register of the mining and exploration properties of a country.
Calc-alkaline	Suite of igneous rocks associated with calcium and aluminium enriched igneous rocks. Includes the Basalt-Andesite-Dacite-Rhyolite series.

Calcite	Carbonate mineral and the most common form of calcium carbonate, CaCO_3 .
Carbonate	A group of minerals found mostly in limestones and dolomites. Calcite (CaCO_3) is the most abundant. Dolomite is a magnesium-bearing carbonate, commonly a rock forming mineral.
Cenozoic	Geological era from 65.5 million years ago to the present.
Chalcocite	Copper mineral that can occur in hydrothermal veins in a primary state, but more usually found in zones of supergene enrichment of copper ore bodies., Cu_2S .
Chalcopyrite	Most common copper mineral, important in porphyry-copper deposits, syngenetic copper ores, skarns and contact metamorphic zones, CuFeS_2 .
Channel sampling	A technique for generating representative sampling across the face of a rock body or vein system.
Chert	Dense, extremely hard microcrystalline rock consisting of interlocking silica grains.
Chlorite	Green mineral $(\text{Mg,Fe})_3(\text{Si,Al})_4\text{O}_{10}(\text{OH})_2(\text{Mg,Fe})_3(\text{OH})_6$.
Clay	Material with a particle size of less than $2\mu\text{m}$.
Collar	The beginning point of a shaft or drill hole, the surface.
Colluvium	Material which collects at the foot of a steep slope.
Concentrate	Metal ore once it has been through milling and concentration so that it is ready for chemical processing or smelting.
Conglomerate	A coarse grained sedimentary rock composed of more or less rounded fragments or particles at least 2 mm in diameter, set in a fine grained matrix of sand or silt. Commonly cemented.
Contact	The place or surface where two different kinds of rocks meet. Applies to sedimentary rocks, as the contact between a limestone and a sandstone, for example, and to metamorphic rocks; it is especially applicable between igneous intrusions and the host rock.
Cordillera	A Spanish word for mountain belt used to distinguish subduction related mountains on ocean/continent margins from intercontinental collision mountains.
Core samples	Cylindrical rock samples collected by diamond core drilling.
Core	A cylindrical sample of rock obtained by core drilling.
Cratonic (rocks)	Rocks coming from areas of the Earth's crust, invariably continental crust, which are no longer affected by orogenic activity. The stability has existed for in excess of 1000 Ma.
Cretaceous	Geological period between 136 to 64 Ma.
Crushing	Reduction in size of mined rocks by mechanical action, generally to the size of one or two centimetres.

Cut off	The grade above which the commodity could be considered ore in a particular deposit.
Dacite	A light-coloured, fine-grained igneous rock containing 63-70wt. per cent. SiO ₂ , as well as plagioclase feldspar, alkali feldspar, quartz, biotite and hornblende as essential minerals. The volcanic equivalent of granodiorites.
Deposit	A naturally occurring accumulation of minerals that may be considered economically valuable.
Diorite	A dark coloured, coarse-grained plutonic rock composed essentially of plagioclase feldspar, hornblende, pyroxene and little to no quartz.
Dip	Inclination of a geological feature/rock from the horizontal (perpendicular to strike).
Disseminated	Fine grained material scattered quite evenly throughout the rock.
Domain	A distinct sub-set or unit of a global population.
Dyke swarm	A collection of many subvertical radial dykes around a central intrusion, or many parallel to subparallel dykes occurring over a large regional area.
Dyke	A sub-vertical tabular igneous intrusion which cuts across the bedding or other planar structures in the country rock.
Enrichment	The process by which the relative amount of one constituent mineral or element within a rock is increased.
Eocene	An epoch in the Tertiary between 55.8 Ma and 33.9 Ma.
Epidote	Rock-forming mineral occurring in hydrothermal systems and as a replacement of various minerals, such as amphiboles, which break down under late stage hydrothermal alteration, Ca ₂ (Al ₂ Fe ³⁺)Si ₃ O ₁₂ (OH).
Epithermal	Vein deposit formed within about a kilometre of the Earth's surface by hot (50-200°C) ascending solutions.
Equigranular	All minerals and grains of approximately the same size.
Exploration drilling	Drilling in an unproved area or to an untried depth either to seek new areas of mineralisation or the possibility of increasing the area of known mineralisation.
Facies	An assemblage or association of minerals/rock/fossil features reflecting the environment and conditions of the origin of the rock. Refers to the specific characteristics which distinguish the unit from adjacent units.
Fault	A fracture or a fracture zone along which there has been displacement of the two sides relative to one another parallel to the fracture. The displacement may be a few inches or many miles.

Feldspar	The most important group of rock-forming silicate minerals, including the plagioclase feldspars KAlSi_3O_8 to $\text{NaAlSi}_3\text{O}_8$ (potassium feldspar to albite) and the plagioclase feldspars $\text{NaAlSi}_3\text{O}_8$ to $\text{CaAl}_2\text{Si}_2\text{O}_8$ (albite to anorthite).
Flysch	Sedimentary deposit typically consisting of a thick sequence of interbedded marine shales and greywacke sandstones typically deposited by turbidites. Flysch is derived from the erosion of rapidly rising fold mountains and is itself deformed in the later stages of the orogeny.
Flyschoid	Composed of flysch rocks.
Fracture	A general term to include any kind of discontinuity in a body of rock if produced by mechanical failure, whether by shear stress or tensile stress. Fractures include faults, shears, joints, and planes of fracture cleavage.
Geochemical	A prospecting technique which measures the content of certain metals in soils and rocks used to define anomalies for further testing.
Geological mapping	Recording geological information.
Geology	The scientific study of the origin, history, and structure of the earth.
Geometallurgy	The practice of combining geology or geostatistics with metallurgy, or, more specifically, extractive metallurgy, to create a spatially or geologically based predictive model for mineral processing plants.
Gossan	Near-surface, iron oxide-rich zone overlying a sulphide-bearing mineral deposit, caused by the oxidation and leaching of sulphides. Characteristic red or yellow colour.
Grab Sample	A sample of rock taken from surface outcrop for observation and analysis.
Grade	The quantity of ore or metal in a specified quantity of rock.
Granite	A medium to coarse grained plutonic igneous rock usually light coloured and consisting largely of quartz and feldspar.
Granodiorite	A coarse grained rock intermediate in composition between granite and diorite: approx. 65 per cent. SiO_2 .
Greywacke	Well compacted and cemented sandstone characterised by angular particles of quartz, feldspar and rock fragments.
Haematite (hematite)	Iron mineral, Fe_2O_3 . Widely distributed as an accessory mineral in igneous rocks, hydrothermal veins, as a primary mineral, as a cementing agent or replacement of other minerals.
High grade	Pertaining to ore which is rich in the metal being mined.
Holocene	Epoch that covers the last 11,000 years before present, often referred to the post-glacial.

Hornblende	The most common member of the amphibole group, $(\text{Ca},\text{Na})_{2-3}(\text{Mg},\text{Fe},\text{Al})_5(\text{Al},\text{Si})_8\text{O}_{22}(\text{OH},\text{F})_2$.
HQ Core	Drill core of 63.5 mm diameter.
Hydrothermal	The name given to any processes associated with igneous activity which involve heated or superheated water.
Intra-	Prefix meaning on the inside, within.
Intrusion	A body of igneous rock that is emplaced into pre-existing older rocks.
Intrusive Complex	A large body of igneous rock intruded over several periods of time and with changing composition.
Intrusive	In petrology, having, while molten, penetrated into or between other rocks, but solidifying before reaching the surface; said of certain igneous rocks; nearly the same plutonic and contrasted with effusive or extrusive.
I-type	Magma derived by from the partial melting of older igneous rocks within a crystal plate which have not previously been exposed at surface.
Jurassic	The middle of three Cenozoic periods, between 201.3 Ma and 145 Ma.
Limestone	A sedimentary rock composed almost entirely of calcium carbonate (CaCO_3).
Lineament	A linear topographical feature.
Lithology	The physical characteristics of rock.
Logging	Recording geological, geotechnical and other information from drill core.
Low Grade	Pertaining to ore which is comparatively low in content for the metal which is being mined.
Mafic	Describing an igneous rock of low silica and high magnesium and iron content, usually dark in colour.
Magnetite	A ferromagnetic mineral with chemical formula Fe_3O_4 .
Manganese	A grey-white, brittle metallic element (Mn) which does not occur uncombined in nature.
Massive	Having homogeneous structure or texture.
Mesozoic	An era of geological time spanning 250-65Ma, including the Triassic, Jurassic and Cretaceous periods.
Metalliferous	Containing a metallic element. Often used to describe ores that are mined commercially.
Metallogenic Province	An area of characteristic mineralising activity or a particular association of mineral deposits. It may contain several episodes of mineralisation.

Metallurgy	The domain of materials science that studies the physical and chemical behaviour of metallic elements, their intermetallic compounds and alloys.
Metamorphic	Term applied to pre-existing sedimentary and igneous rocks which have been altered in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances.
Metamorphism	The process of rocks being metamorphosed by heat and/or pressure.
Metamorphosed	Rock transformed by heat and/or pressure.
Mineral Reserve	That part of a Mineral Resource that has been demonstrated to be economically extractable.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mineral	A natural, inorganic, homogeneous material that can be expressed by a chemical formula.
Mineralisation	The process by which minerals are introduced into a rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.
Mineralised zone	A mineral-bearing belt or area extending across or through a district. It is usually distinguished from a vein or lode as being wide, the mineralisation extending in some cases hundreds of feet from a fissure or contact plane.
Mineralised	Containing ore minerals.
Miocene	Fourth of the five epochs of the Tertiary period, between 23.03 Ma and 5.332 Ma.
Molybdenite	Molybdenum sulphide mineral with the formula MoS_2 .
Net Smelter Return	The net revenue that the owner of a mining property receives from the sale of the mine's metal/non metal products less transportation and refining costs. As a royalty it refers to the fraction of net smelter return that a mine operator is obligated to pay the owner of the royalty agreement.
NQ Core	Drill core of 47.6 mm diameter.
Ophiolite	Segments of oceanic crust emplaced onto a continent during plate collisions.
Orebody	A continuous, well-defined mass of material of sufficient ore content to make extraction economically feasible.

Orogenic belt	A linear or arcuate, regional scale belt of rocks which have undergone compressional tectonics.
Orogeny	The tectonic process in which large areas are folded, thrust-faulted, metamorphosed, and subjected to plutonism. The cycle ends with uplift and the formation of mountains.
Outcrop	A visible exposure of rock that is in-situ and has no covering of soil or vegetation.
Oxide	Soft, weathered rock formed by the process of weathering near the surface.
Palaeozoic	The first of three Eras of the Phanerozoic, between 542 Ma and 251 Ma.
Palaeocene	The first of three Eras of the Palaeogene, between 66 Ma and 56 Ma.
Paragenesis	The characteristic association of a mineral or mineral assemblage in a particular geologic setting.
Phenocryst	A large and often well-formed crystal set in a finer groundmass or matrix. Rocks containing phenocrysts are said to be porphyritic.
Phosphate	Rock or deposit made up mostly of inorganic phosphate, commonly calcium phosphate.
Phyllic	Hydrothermal alteration characterised by the assemblage of quartz-sericite-pyrite.
Pluton	General term applied to a body of intrusive igneous rock, irrespective of its shape, size or composition.
Polymetallic	A term used to describe a mineral deposit comprising at least three minerals in potentially economic quantities.
Porphyry	A medium to coarse-grained intrusive, felsic, igneous rock which is conspicuously porphyritic, containing more than 25 per cent. phenocrysts by volume. The phenocryst mineral is usually alkali feldspar.
PQ Core	Drill core of 85 mm diameter.
Propylitic	Chemical alteration of a rock caused by iron and magnesium bearing hydrothermal fluids, altering biotite or amphibole. Typically results in epidote-chlorite-albite alteration.
Prospect	A mineral property, the value of which has not been proved by exploration. To search for minerals or oil by looking for surface indications, by drilling boreholes, or both.
Proterozoic	The later of the two major subdivisions of the Precambrian (compare with Archaean) between 2500 and 590Ma.
Pyrite	A common iron sulphide mineral, FeS ₂ .
Pyroclastic	Fragmental rock formed by volcanic explosion or aerial ejection from a volcanic vent.

Quartz	A very common mineral in sedimentary, magmatic, metamorphic, and hydrothermal environments: SiO_2 .
Quaternary	Period of the Cenozoic Era from 2.588 Ma to 1.806 Ma.
Resource	The total quantity of a mineral which is calculated to lie within given boundaries and which is economically workable.
Sample	A representative fraction of body of material; removed by approved methods; guarded against accidental or fraudulent adulteration; and tested or analysed to determine the nature, composition, percentage of specified constituents. Bulk samples are large (several tons), so taken as to represent the ore for the purpose of developing a suitable treatment. Channel samples, cores, chips, grab, are small – made primarily to establish the value of the ore.
Sandstone	Sedimentary rock comprising sand size grains ($>0.06\text{mm}$, $<2.0\text{mm}$).
Sedimentary	A type of rock formed from pre-existing rocks or pieces of once-living organisms. They form from deposits that accumulate on the Earth's surface.
Sericite	A fine grained muscovite mica. Particularly common in schist where it can impart a 'silky' lustre to foliation planes.
Shear (zone)	Tabular zone of rock showing evidence of shear stress in the form of crushing and brecciation by many parallel fractures.
Siliclastic	Clastic rocks primarily composed of silica or silicate minerals.
Siltstone	Fine grained sedimentary rock, principally composed of silt grade material. Dominantly siltstones are composed of clastic quartz together with some feldspar and mica.
Skarn	A term with a usage that includes contact rock containing calcium, magnesium and iron silicates derived from nearly pure limestone or dolomite into which abundant amounts of silicon, iron, aluminium and magnesium were metasomatically introduced during contact metamorphism.
Spectral Analysis	Analysis of core using visible and non-visible light.
Sphalerite	Zinc sulphide mineral and primary ore of zinc, $(\text{Zn},\text{Fe})\text{S}$.
Stock	An intrusive body of a deep-seated igneous rock, usually discordant with surrounding material. A stock is generally elliptical or circular in cross sections and covers less than 100 square kilometres in surface exposure.
Stockwork	Branching network of veinlets associated with a plutonic intrusion. May be associated with extensive hydrothermal alteration.
Stope	An excavation made in a mine, esp. from a steeply inclined vein, to remove the ore that has been rendered accessible by the shafts and drifts.

Stratovolcano Strike	A geological term which describes a horizontal line on the surface of a dipping stratum. The strike is 90° to the dip of the stratum.
Subduction	The movement of one crustal plate (lithospheric plate) under another so that its descending plate is 'consumed'.
Sulphide	A group of minerals where sulphur is combined with one or more minerals.
Supergene	In ore deposit geology, supergene processes or enrichment occur relatively near the surface and include chemical weathering and oxidation of primary minerals.
Suture (zone)	A joining together along a major fault zone of separate terranes showing evidence of shear stress in the form of crushing and brecciation by many parallel fractures.
Syn-	Prefix meaning with or at the same time.
Tectonic	Relating to a major structural event.
Terrane	Tectonostratigraphic terrane, which is a fragment of crustal material formed on, or broken off from, one tectonic plate and accreted or "sutured" to crust lying on another plate.
Tholeiite	A variety of basalt weak in alkali minerals.
Thrust	A low angle reverse fault, often developing on the limb of a major fold, sub-parallel to the axial plane.
Tonalite	Plutonic igneous rock consisting of dominantly of quartz and plagioclase feldspars with additional mafic minerals (hornblende or biotite).
Transpressive	Tectonic collision with both a collisional and strike-slip component.
Ultramafic	Igneous rock containing more than 90 per cent. mafic minerals.
UTM Projection	Universal Transverse Mercator projection – A projected co-ordinate system which divides the earth into sixty, six-degree bands based on longitude for geographical reference.
Vein/veinlet	A fracture which has been filled by minerals which have crystallised from mineralised fluids.
Volcanic	A subtype of igneous rock which has been extruded and cooled at the Earth's surface usually found as a lava flow.
Volcaniclastic	Fragmental rocks containing volcanic material in any proportion without regard to origin.
Weathered	Action of climatic conditions such as rainfall and heat on near-surface rocks resulting in chemical changes and the breakdown of original mineral grains.
WGS 1984 Datum	The World Geodetic System (1984 revision) co-ordinate system.
Zircon	Silicate mineral with the chemical formula $ZrSiO_4$. Commonly used in radiometric dating.

Illite	Group of clay minerals formed by hydrothermal alteration of feldspars and micas.
Dickite	Clay mineral with the same composition as kaolinite but with a different chemical structure.
Kaolinite	Clay mineral formed by the alteration of alkali feldspars and other aluminium-bearing minerals.
Aliquot	A portion of a larger whole, especially a sample taken for chemical analysis or other treatment.
Aqua Regia	Very strong acid made by mixing nitric and hydrochloric acid.

Abbreviations

Ag	Silver.
AIM	Alternative Investment Market of the London Stock Exchange.
Au	Gold.
BSc	Batchelor of Science degree.
CGeol	Chartered Geologist
CP	Competent Person. A status granted to a geologist based on their professional qualification, experience and association in good standing of a recognised professional organisation.
CPR	Competent person's report.
Cu	Copper.
CuEq	Copper equivalent.
Fe	Iron.
FGS	Fellow of the Geological Society of London.
IMMM	Institute of Materials, Minerals and Mining.
K	Potassium.
MORB	Mid-Ocean Ridge Basalt.
MSc	Master of Science degree.
Pb	Lead.
QAQC	Quality control/Quality assurance.
Sb	Antimony.
Si	Silicon.
SiO ₂	Silica/Silicon Dioxide. Commonly forming as quartz.
SRK ES	SRK Exploration Services.
Zn	Zinc.

Units

g/t	Grams per tonne.
kg	Kilogramme.
km	Kilometres.
Mt	Million metric tonnes.
ppm	Parts per million.
Tonne	Metric ton.

APPENDICES
HISTORICAL FINANCIAL INFORMATION ON THE GROUP

APPENDIX A
UNAUDITED FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the half year ended 31 December 2016. SolGold plc is a public limited company incorporated in England and Wales.

DIRECTORS

The names of the Directors in office at any time during or since the end of the period are:

Brian Moller (Non-Executive Director)
Nicholas Mather (Executive Director)
Robert Weinberg (Non-Executive Director)
John Bovard (Non-Executive Director)
Scott A. Caldwell (Non-Executive Director) - appointed 9 September 2016

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are exploration for copper, gold and other minerals in Ecuador, Solomon Islands and Queensland, Australia.

REVIEW AND RESULTS OF OPERATIONS

The loss after income tax for the Company for the half-year ended 31 December 2016 was \$3,629,433 (31 December 2015 loss of \$1,254,445).

Exploration Activities

Cascabel Project (Ecuador)

The Cascabel Project is a porphyry copper- gold deposit located in the Imbabura province of northwest Ecuador. It lies an easy 3-hour drive north of Ecuador's capital city, Quito. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. Topography rises from elevations of 900 metres to 2,100 metres and the moderate to steep landscape is incised by four large drainage complexes. A first-order paved highway provides year-round access and crosses the north-east corner of the concession.

Cascabel is SolGold's flagship project and shows significant promise of hosting a tier 1 resource. To date at Alpala, 27,061m of drilling has been completed for 22 drill holes of which 18 have hit the Alpala deposit and 6 of which (Holes 5, 9, 12, 15R2, 16 and 17) delivered world class intersections - consisting of over 1km of continuous mineralisation grading over 1% Copper Equivalent. Drill hole CSD-14-009 for example, returned one of the best results in the history of mineral exploration, with 1088m grading 0.66% copper and 0.89 g/t gold for 1.48% Copper Equivalent.

Recent exploration activities have included:

- Anaconda style geological mapping in key areas.
- Exploration reconnaissance mapping and sampling across the mineralised corridors identified.
- Extension and infill soil sampling across the remaining prospective portion of the tenement. Rock-saw channel sampling at Alpala, Alpala Southwest, Alpala South, Trivinio and Moran prospects.
- Re-modelling of constrained heli-magnetic, Orion 3DIP and magneto-telluric (MT) surveys at Alpala and Aguinaga using data collected from magnetic susceptibility of drill core.
- Diamond drilling of drill holes 12 to 22 at Alpala, for a total of 19,667m, bringing the total for metres drilled at Cascabel to 27,061m.
- Upgrade and expansion of the Alpala field camp and the Rocafuerte field office.
- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralisation styles, paragenesis, and alteration types.
- Mineragraphy and metallurgical scoping work.
- Spectral alteration mapping on soil gridding across the tenement, and follow-up deep auger mapping, further refining targets identified.
- Ongoing environmental management over the concession area in line with guidelines provided by the Ministry of Environment.
- Submission of annual technical and environmental management reports.
- Preparation for ground-magnetic survey in January 2017.
- Preparation of Deep 3D SPARTAN-ORION IP Geophysical survey across the majority of the tenement area.
- Preparation of Independent Technical report on the Cascabel Project is in preparation under National Instrument 43-101 and accompanying Documents 43-101F1 and 43-101CP by SRK Exploration in preparation for listing on the Toronto Stock Exchange (TSX) in early 2017.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Exploration Activities (continued)

Exploration to date has defined fourteen priority target areas across the tenement. Eight high priority targets are identified at Alpala, Hematite Hill, Alpala Southeast, Cristal, Trivinio, Moran, Tandayama-America and Aguinaga are planned for drill testing as up to seven diamond drill rigs advance the project over the coming year. Detailed reconnaissance and follow-up field programs continue to assess potential of the 14 possible porphyry centres identified to date, as well as exploring for new outcrops and prospects. Drilling thus far has focussed on drilling the Alpala Deposit with 3 drilling rigs. The coming quarter will see a fifth rig entering the Alpala resource drill out and drill testing of the Alpala Southeast area.

Queensland Projects (Australia)

There was no exploration activity on the projects in Queensland during the half year ended 31 December 2016. 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.

Kuma Project (Solomon Islands)

Previous exploration completed at Kuma under the Guadalcanal Joint Venture between SolGold and Newmont included extensive geochemical sampling, geological mapping, a magnetic survey and an electromagnetic survey. The related prospecting licences expired on 11 April 2015 and SolGold has applied for these licenses in its own right.

Exploration Outlook

The focus of the Company during the financial year ending 30 June 2017 will be to continue exploration on its Cascabel project in Ecuador.

Cascabel Project (Ecuador)

To date SolGold has completed geological mapping, 25km² of soil sampling, 14km² and an additional 9km² Induced Polarisation and Magnetotelluric "Orion" surveys over the Alpala cluster and Aguinaga targets respectively. By 31 December 2016, the Company had also completed over 27,061m of drilling and expended a total of approximately US\$38m on the program, corporate costs and investments into Cornerstone. Intense diamond drilling is planned for the next 12 months with five diamond drilling rigs over the coming quarter and increasing to a total of seven drilling rigs by September 2017.

Cascabel is characterised by fourteen (14) identified targets, world class drilling intersections over 1km in length, and high copper and gold grades, as well as logistic advantages in location, elevation, water supply, proximity to roads, port and power services and a progressive legislative approach to resource development in Ecuador. To date, SolGold has only drill tested one of the 14 targets, being Alpala.

The Alpala porphyry copper-gold deposit is a recent discovery resulting from drilling of seventeen diamond core holes over a 900m by 400m area. That has defined a north-westerly-trending, steeply northeast-dipping dike-stock complex of diorite to quartz diorite that exceeds 1500 m in height.

This intrusive complex is hosted by a sequence of andesitic volcanoclastic rocks and lavas. The host-rocks are interpreted to be part of the Palaeocene to Late Eocene Macuchi Formation (BGS-CODIGEM, 1997; Cruz, 2007). The best drill intercept to date is 1312 m at 0.67 % Cu and 0.63 g/t Au from 128 m depth in CSD-15-012, which includes 576 m at 1.03 % Cu and 1.19 g/t Au. The deposit remains open at depth, along- and across-strike.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Exploration Outlook (continued)

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-porphyritic, hornblende-bearing intrusions are narrow, taper upwards and consist of pre- to early-mineralization D10 diorite to microdiorite and QD10 quartz diorite; intra-mineralization D15 diorite and QD15 quartz diorite; and late-mineralization dikes of D20 diorite and QD20 quartz diorite. Radiometric U-Pb SHRIMP dates on zircons return 39.4 ± 0.6 Ma (2 σ) for the early mineralization QD10 quartz diorite intrusion and 38.7 ± 0.6 Ma (2 σ) for a late-mineralization QD20 dike (Armstrong, 2015 and 2016), which lie near the boundary of the Middle- to Late-Eocene. 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). Early-stage, minor and wavy AB-type quartz veins deficient in sulphide minerals are followed by magnetite (M) veinlets. 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. 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 ± 0.2 Ma (2 σ).

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 sulphide 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.

SolGold will drill test other key targets within the Cascabel concession at Hematite Hill, Alpala Southeast, Cristal, Trivinio, Moran, Tandayama-America, Aguinaga, Alpala Northwest, Parambas, Carmen and Chinambicito. The Company is progressing further metallurgical testing in 2017, and completion of a conceptual early stage mine and plant design and a scoping study for an economic development at Cascabel. SolGold is investigating both high tonnage / low-medium grade open cut and underground block caving operations, and a high grade / low tonnage underground development.

DIRECTORS' REPORT (CONTINUED)

REVIEW AND RESULTS OF OPERATIONS (CONTINUED)

Exploration Outlook (continued)

Queensland Projects (Australia)

The Company is evaluating the future exploration plans for the Mt Perry, Rannes and Normanby projects. Joint venture agreements are being investigated for a joint venture partner to commit funds and carry out exploration to earn an interest in the tenements.

Kuma Project (Solomon Islands)

The Kuma project is defined by a porphyry copper-gold target, characterised by a widespread lithocap draping the steeply incised terrain. Work to date has defined a number of porphyry style geochemical anomalies centred on the upper portions of the Kuma lithocap. Detailed 1:500 scaler 'Anaconda' style geological mapping is planned for the coming year so as to bring the project to drill ready status in 2017.

Three steeply-inclined diamond core drill-holes, each about 800 m deep, are envisaged for an initial test by utilising drill sites located within and peripheral to the target area. Silica ledges and dickite anomalies controlled by high level structure will be tested to provide vectors toward the centre of the Kuma porphyry gold-copper system and the identification and orientation of dikes (porphyritic felsic), veins (quartz and epidote) and fractures (containing chalcopyrite or magnetite).

Equity

On 26 August 2016, the Company issued an additional 268,819,004 shares at £0.06 to raise \$27.9 million (£16.1 million) in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 14 October 2016, the Company issued an additional 63,353,339 shares at £0.13 to raise \$13.4 million (£8.2 million) in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 142,896,661 shares at £0.13 to raise \$30 million (£18.6 million) in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 19,591,768 unlisted options to Maxit Capital. The options consist of two tranches of 9,795,884 options each exercisable at £0.14 and £0.28 and expire on 17 October 2018.

On 28 October 2016, the Company issued an additional 22,000,000 unlisted options to contractors and staff. The options are exercisable at £0.28p and expire on 30 October 2018.

Corporate

On 30 August 2016, the Company executed a Share Subscription Agreement with Newcrest International Pty Ltd, pursuant to which it became a 10% shareholder of SolGold. Full details are available in the Company's RNS of 30 August 2016.

On 9 September 2016, Mr Scott A. Caldwell was appointed a Director of SolGold. Mr Caldwell is the CEO of Guyana Goldfields Inc, which holds approximately 7% of SolGold.

During the period the Company lodged its application to dual-list onto the Toronto Stock Exchange (TSX).

A copy of the Company's latest corporate presentation is available in the Investor Centre on the Company's website (www.solgold.com.au).

DIRECTORS' REPORT (CONTINUED)

MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD

On 17 January 2017, 900,000 fully paid ordinary shares were issued as a result of the exercise of employee options.

On 31 January 2017, a further 100,000 fully paid ordinary shares were issued to Newcrest International Pty Ltd. The allotment is pursuant to "top-up rights" held by Newcrest under its Share Subscription Agreement, as outlined in detail in SolGold's market release of 30 August 2016. The allotment was priced at 29.9p per share, based on a 10 day VWAP, in accordance with the terms of the agreement.

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

Signed in accordance with a resolution of the board of Directors.



Nicholas Mather
Executive Director
Brisbane
6 February 2017

Qualified Person

Information in this report relating to the exploration results is based on data reviewed by Mr Nicholas Mather (B.Sc. Hons Geol.), the Chief Executive Officer of the Company. Mr Mather is a Fellow of the Australasian Institute of Mining and Metallurgy who has in excess of 30 years' experience in mineral exploration and is a Qualified Person under the AIM Rules. Mr Mather consents to the inclusion of the information in the form and context in which it appears.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Notes	Half-Year 2016 A\$ (Unaudited)	2015 A\$ (Unaudited)
Revenue		69	143
Administration and consulting expenses		1,074,749	775,451
Borrowing cost expenses		72,618	58,961
Depreciation and amortisation expense		12,891	7,894
Employee benefit expenses		330,014	385,153
Legal expenses		162,771	27,129
Exploration written off		21,400	-
Unrealised foreign exchange (gains) / losses		(2,949,984)	-
Share based payments expense		4,905,043	-
Operating loss before income tax		(3,629,433)	(1,254,445)
Income tax (expense) benefit		-	-
Loss for the period		(3,629,433)	(1,254,445)
Other comprehensive income / (loss)			
<i>Items that may be reclassified to profit and loss</i>			
Change in fair value of available for sale financial assets		3,849,996	(57,029)
Exchange differences on translation of foreign operations		196,212	(54,230)
Other Comprehensive income / (loss), net of tax		4,046,208	(111,259)
Total comprehensive income / (loss) for the period		416,775	(1,365,704)
Loss for the half-year attributable to:			
Owners of the parent company		(3,592,372)	(1,237,834)
Non-controlling interest		(37,061)	(16,611)
		(3,629,433)	(1,254,445)
Total comprehensive income / (loss) for the half-year is attributable to:			
Owners of the parent company		424,404	(1,340,959)
Non-controlling interest		(7,629)	(24,745)
		416,775	(1,365,704)

	Notes	2016 Cents (Unaudited)	2015 Cents (Unaudited)
Basic earnings per share	4	(0.3)	(0.2)
Diluted earnings per share	4	(0.3)	(0.2)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2016

	Notes	31 December 2016 A\$ (Unaudited)	30 June 2016 A\$ (Audited)
Assets			
Current assets			
Cash and cash equivalents		56,119,229	94,933
Other receivables and prepayments		491,170	203,169
Total current assets		56,610,399	298,102
Non-current assets			
Other financial assets		140,848	123,974
Investments in available-for-sale securities		5,472,707	1,622,712
Property, plant and equipment		909,638	375,400
Exploration and Evaluation Assets	5	47,792,469	41,079,914
Total non-current assets		54,315,662	43,202,000
Total assets		110,926,061	43,500,102
Current liabilities			
Bank overdraft		-	-
Trade and other payables		2,152,662	3,742,361
Borrowings		-	4,776,404
Total current liabilities		2,152,662	8,518,765
Non-current liabilities			
Interest bearing liabilities		-	-
Total non-current liabilities		-	-
Total liabilities		2,152,662	8,518,765
Net assets		108,773,399	34,981,337
Equity			
Issued capital	6	169,748,653	104,503,526
Reserves		14,990,974	2,844,038
Accumulated losses		(76,081,736)	(72,489,364)
Non-controlling interest		115,508	123,137
Total equity		108,773,399	34,981,337

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	Note	Share capital A\$ (Unaudited)	Available for Sale Financial Asset Reserve A\$ (Unaudited)	Share option reserve A\$ (Unaudited)	Foreign currency translation reserve A\$ (Unaudited)	Non- Controlling interest reserve A\$ (Unaudited)	Accumulated losses A\$ (Unaudited)	Non-controlling interests A\$ (Unaudited)	Total A\$ (Unaudited)
Balance 30 June 2015		95,397,031	(331,909)	1,104,337	1,057,372	(67,864)	(67,023,534)	223,107	30,358,540
Loss for the period		-	-	-	-	-	(1,237,834)	(16,611)	(1,254,445)
Other comprehensive income for the period		-	(57,029)	-	(46,095)	-	-	(8,135)	(111,259)
Total comprehensive income for the period		-	(57,029)	-	(46,095)	-	(1,237,834)	(24,746)	(1,365,704)
New share capital subscribed		1,997,419	-	-	-	-	-	-	1,997,419
Share issue costs		(16,160)	-	-	-	-	-	-	(16,160)
Balance 31 December 2015		97,378,290	(388,938)	1,104,337	1,011,277	(67,864)	(68,261,368)	198,362	30,974,096
Loss for the period		-	-	-	-	-	(4,227,996)	(240,681)	(4,468,677)
Other comprehensive income for the period		-	247,639	-	937,587	-	-	165,456	1,350,682
Total comprehensive income for the period		-	247,639	-	937,587	-	(4,227,996)	(75,225)	(3,117,995)
New share capital subscribed		7,125,236	-	-	-	-	-	-	7,125,236
Share issue costs		-	-	-	-	-	-	-	-
Balance 30 June 2016		104,503,526	(141,299)	1,104,337	1,948,864	(67,864)	(72,489,364)	123,137	34,981,337
Loss for the period		-	-	-	-	-	(3,592,372)	(37,061)	(3,629,433)
Other comprehensive income for the period		-	3,849,996	-	166,780	-	-	29,432	4,046,208
Total comprehensive income for the period		-	3,849,996	-	166,780	-	(3,592,372)	(7,629)	416,775
New share capital subscribed		71,654,248	-	-	-	-	-	-	71,654,248
Share issue costs		(6,409,121)	-	3,305,810	-	-	-	-	(3,103,311)
Value of options issued to employees and consultants		-	-	4,824,350	-	-	-	-	4,824,350
Balance 31 December 2016		169,748,653	3,708,697	9,234,497	2,115,644	(67,864)	(76,081,736)	115,508	108,773,399

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2016

		Half-Year	
	Notes	2016 A\$ (Unaudited)	2015 A\$ (Unaudited)
Cash flows from operating activities			
Receipts from customers		-	-
Payments to suppliers and employees		(3,669,084)	(952,205)
Interest received		69	143
Interest paid		(1,758)	(9,569)
Net cash outflow from operating activities		(3,670,773)	(961,631)
Cash flows from investing activities			
Proceeds from sale (Acquisition) of property, plant and equipment		(547,128)	(6,343)
Investments in available-for-sale securities		-	-
Refund of (payment for) security deposits		-	-
Acquisition of exploration and evaluation assets		(6,004,660)	(3,535,587)
Net cash (outflow)/inflow from investing activities		(6,551,788)	(3,541,930)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		62,466,043	1,215,215
Payment of issue costs		(21,906)	(16,160)
Proceeds from borrowings		852,736	760,449
Proceeds from convertible notes		-	2,332,000
Net cash inflow from financing activities		63,296,873	4,291,501
Net (decrease)/increase in cash and cash equivalents		53,074,312	(212,060)
Cash and cash equivalents at beginning of period		94,933	321,440
Effects of exchange rate changes on cash and cash equivalents		2,949,984	-
Cash and cash equivalents at end of period		56,119,229	109,380

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose consolidated half year financial report for the half year ended 31 December 2016 has been prepared in accordance with IAS 34 *Interim Financial Reporting* and International Financial Reporting Standards ('IFRSs').

The consolidated financial statements are presented in Australian dollars ("A\$") and have been prepared on the historical cost basis.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2016 and considered together with any public announcements made by SolGold plc and its controlled entities during the half year ended 31 December 2016.

The same accounting policies and methods of computation have generally been followed in this half-year financial report as the most recent annual financial report.

Going concern

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. At the reporting date, the Group had a net working capital surplus of \$54,457,737 (2015: Net working capital deficit \$8,220,663).

It should be noted that the current working capital levels will not be sufficient to bring the Group's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through other finance arrangements or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

Comparatives

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current financial year.

Basis of consolidation

The half year consolidated financial statements comprise the financial statements of SolGold plc and its controlled entities as at 31 December 2016.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 2 OPERATING SEGMENTS

The Group determines and separately reports operating segments based on information that is internally provided to the Directors, who are the Group's chief operating decision makers.

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8 *Operating Segments*, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors along company lines. That is, the financial position of SolGold and each of its subsidiary companies is reported discretely, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below.

31 December 2016 (Unaudited)							
	Finance Income \$	Other Income \$	Result \$	Share Based Payments \$	Depreciation \$	Assets \$	Liabilities \$
SolGold	69	-	(3,380,705)	4,905,043	12,253	159,910,182	756,554
Australian Resource Management	-	-	(288)	-	-	319,412	32,904,893
Central Minerals	-	-	(492)	-	189	3,619,950	13,279,473
Acapulco Mining	-	-	(623)	-	449	5,651,587	3,825,113
Solomon Operations	-	-	-	-	-	4	9,948
Honiara Holdings	-	-	(249)	-	-	-	958,369
Guadalcanal Exploration	-	-	-	-	-	2,338	1,222,828
ENSA	-	-	(247,074)	-	-	31,938,967	26,447,955
Consolidation/Elimination	-	-	-	-	-	(90,804,279)	(76,954,570)
Total	69	-	(3,629,431)	4,905,043	12,891	110,926,061	2,152,662

31 December 2015 (Unaudited)							
	Finance Income \$	Other Income \$	Result \$	Share Based Payments \$	Depreciation \$	Assets \$	Liabilities \$
SolGold	143	-	(1,139,453)	-	4,453	42,276,046	4,416,694
Australian Resource Management	-	-	(856)	-	638	319,397	32,904,536
Central Minerals	-	-	(325)	-	189	3,693,231	33,743
Acapulco Mining	-	-	(2,825)	-	2,614	5,837,848	39,660
Solomon Operations	-	-	-	-	-	4	9,948
Honiara Holdings	-	-	-	-	-	-	246
Guadalcanal Exploration	-	-	(247)	-	-	7,548	-
ENSA	-	-	(110,739)	-	-	19,951,293	13,907,924
Consolidation/Elimination	-	-	-	-	-	(34,358,074)	(44,559,554)
Total	143	-	(1,254,445)	-	7,894	37,727,293	6,753,197

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

	31 December 2016 A\$ (Unaudited)	31 December 2015 A\$ (Unaudited)
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NOTE 3 REVENUES AND EXPENSES

Included in the profit / (loss) are the following revenues and expenses:

Interest revenue - external parties	69	143
Other income	-	-
	69	143
Depreciation	12,891	7,894
Defined contribution superannuation expense	25,155	23,658

NOTE 4 LOSS PER SHARE

Calculation of basic and diluted loss per share is in accordance with IAS 33 *Earnings per Share*.

Loss per ordinary share		
Basic loss per share (cents per share)	(0.3)	(0.2)
Diluted loss per share (cents per share)	(0.3)	(0.2)
Net loss used in calculating basic and diluted loss per share	(3,629,433)	(1,254,445)
	Number	Number
Weighted average number of ordinary share used in the calculation of basic loss per share	1,226,022,320	774,743,062
Weighted average number of ordinary share used in the calculation of diluted loss per share	1,274,974,088	774,743,062

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 5 EXPLORATION AND EVALUATION ASSETS

	Half Year Ended 31 December 2016 A\$ (Unaudited)	Full Year Ended 30 June 2016 A\$ (Audited)
Carrying amount at the beginning of the period	41,079,914	30,748,723
Additions - expenditure	6,733,954	11,886,195
Exploration expenditure written off	(21,400)	(1,555,004)
Carrying amount at the end of the period	47,792,468	41,079,914

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

NOTE 6 ISSUED CAPITAL

	Half Year Ended 31 December 2016 A\$ (Unaudited)	Full Year Ended 30 June 2016 A\$ (Audited)
a) Issued capital		
Ordinary shares fully paid up	173,224,371	104,503,526
b) Movement in ordinary shares		
At the beginning of the reporting period	104,503,526	95,397,031
Shares issued during the period	71,654,248	9,122,656
Transaction costs on share issue	(2,933,403)	(16,161)
At reporting date	173,224,371	104,503,526
c) Movement in number of ordinary shares on issue		
Shares at the beginning of the reporting period	953,897,601	760,453,071
- 19 November 2015 ⁽¹⁾	-	62,263,534
- 7 March 2016 ⁽²⁾	-	80,909,257
- 7 March 2016 ⁽³⁾	-	50,271,739
- 26 August 2016 ⁽⁴⁾	268,819,004	-
- 14 October 2016 ⁽⁵⁾	63,353,339	-
- 17 October 2016 ⁽⁶⁾	142,896,661	-
- Shares at the reporting date	1,428,966,605	953,897,601

- (1) On 19 November 2015, 62,263,534 \$0.0321 ordinary shares were issued for cash and in lieu of fees pursuant to a share placement.
(2) On 7 March 2016, 80,909,534 \$0.0438 ordinary shares were issued for cash and in lieu of fees pursuant to a share placement.
(3) On 7 March 2016, 50,271,739 \$0.0438 ordinary shares were issued in settlement of outstanding convertible notes.
(4) On 26 August 2016, 268,819,004 \$0.1039 ordinary shares were issued for cash and in lieu of fees pursuant to a share placement.
(5) On 14 October 2016, 63,353,339 \$0.212 ordinary shares were issued for cash pursuant to a share placement.
(6) On 17 October 2016, 142,896,661 \$0.212 ordinary shares were issued for cash pursuant to a share placement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

NOTE 7 RELATED PARTIES

Transactions with Directors and Director-Related Entities

- (i) SolGold plc has a standing Administration and Services Agreement with DGR Global Ltd, an entity associated with Nicholas Mather (a Director) and Brian Moller (a Director) whereby DGR Global Ltd has agreed to provide certain services including the provision by DGR Global Ltd of its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company shall reimburse DGR Global Ltd for any expenses incurred by it in providing the Services. DGR Global Ltd was paid \$180,000 (2015: \$180,000) for the provision of administration, management and office facilities to the Company during the half year. The total amount outstanding at half year end is \$nil (2015: \$150,000).
- (ii) On 2 October 2015, DGR Global Ltd and Tenstar Trading Ltd agreed to provide short term funding to SolGold PLC to provide working capital. Interest on the facility was charged at 9.5% per annum. The loans were repayable by SolGold 12 months from the date of issue. DGR Global Ltd and Tenstar Trading Ltd could, at their sole election, convert all or part of the loan, including accrued interest, into further equity at either 1.75 pence (GBP) or a price equal to 80% of the VWAP of the shares' five days trading before the conversion notice. On 7 March 2016 DGR Global Ltd and Tenstar Trading Ltd converted \$2,295,218 of the debt funding derivative provided to SolGold. The conversion was at 3.67 (GBP) per share and generated a movement in fair value on derivative financial liabilities of \$1,378,260 which was expensed to the income statement in the year.
- (iii) On 20 November 2015, DGR Global Ltd agreed to provide short term funding to SolGold plc to provide working capital. Interest on the facility is charged at the rate of 9.5% per annum. The loan was repayable by SolGold plc on the earlier of any capital raising event, or 31 December 2016. DGR Global Ltd could, at its sole election, convert all or part of the loan, including accrued interest, into further equity as part of a SolGold plc capital raising, and at the same price as third party participants, subject to DGR Global Ltd and SolGold plc obtaining all necessary regulatory approvals. A new loan agreement was signed on 30 June 2016 revising the limit on the facility to \$7 million, all other conditions remained the same. On 29 August 2016, DGR Global Ltd converted \$5,700,000 of the debt funding provided to SolGold into SolGold shares in accordance with the terms of the loan arrangements announced to the market on 1 July 2016.
- (iv) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. Hopgood Ganim were paid \$172,631 (2014: \$29,842) for the provision of legal services to the Company during the half year. These services were based on normal commercial terms and conditions. The total amount outstanding at half year end is \$26,253 (2015: \$104,547).

NOTE 8 COMMITMENTS AND CONTINGENT ASSET AND LIABILITIES

There are no significant changes to commitments and contingencies disclosed in the most recent annual financial report.

NOTE 9 SUBSEQUENT EVENTS

On 17 January 2017, 900,000 fully paid ordinary shares were issued as a result of the exercise of employee options.

On 31 January 2017, a further 100,000 fully paid ordinary shares were issued to Newcrest International Pty Ltd. The allotment is pursuant to "top-up rights" held by Newcrest under its Share Subscription Agreement, as outlined in detail in SolGold's market release of 30 August 2016. The allotment was priced at 29.9p per share, based on a 10 day VWAP, in accordance with the terms of the agreement.

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

DIRECTORS' DECLARATION

In the Directors' opinion:

- the attached financial statements and notes thereto comply with IAS 34 '*Interim Financial Reporting*' and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors.

On behalf of the Directors



Nicholas Mather
Executive Director

Brisbane
6 February 2017

APPENDIX B

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2016

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2016.

PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are gold and mineral exploration in Ecuador, the Solomon Islands, and Queensland, Australia. Details of the Group's activities, together with a description of the principal risks and uncertainties facing the Group, and the development of the business, are given in the Strategic Report.

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW

A detailed review of the Group's business and future developments is set out in the Operations Report and Financial Review.

The principal risks and uncertainties facing the Group at its present stage of development are given under Risks and Uncertainties.

GOING CONCERN

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The Group and the Company have not generated revenues from operations. As such, the Group's and Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Group's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raising, it may not be able to fully develop its projects.

Subsequent to the end of the year, the Group issued 475,069,004 ordinary shares at £0.06 (US\$0.08) and £0.13 (US\$0.16) per share to raise \$71.6 million as a result of three private placements.

CURRENCY

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The presentational currency of the Group is Australian dollars ("A\$") and all amounts presented in the Directors' Report and financial statements are presented in Australian dollars unless otherwise indicated.

RESULTS

The Group's consolidated loss for the year was \$5,723,122 (2015: \$4,238,661).

CHANGES IN SHARE CAPITAL DURING 2015

A statement of changes in the share capital of the Company is set out in Note 17 to the financial statements.

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend (2015: nil).

FINANCIAL INSTRUMENTS

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's or Group's activities. The Group's financial instruments consist mainly of deposits with banks, accounts payable, loans payable to related parties (including conversion options) and loans to subsidiaries. Further details of financial risk management objectives and policies, and exposure of the Group to financial risks are provided in note 20 to the financial statements.

GOVERNANCE (continued)

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the year were as follows:

Nicholas Mather	Executive Director
Brian Moller	Non-Executive Chairman
Robert Weinberg	Non-Executive Director
John Bovard	Non-Executive Director

The Company has a Directors' and Officers' Liability insurance policy for all its Directors.

The Directors who held office at the end of the financial year held direct and indirect interests in the ordinary shares and unlisted options of the Company as shown in the tables below.

Shares held	At 30 June 2016	At 30 June 2015
Nicholas Mather	89,268,275	85,519,570
Brian Moller	3,901,072	3,086,942
Robert Weinberg	4,296,091	3,118,484
John Bovard	3,858,813	3,858,812

There were no options issued to Directors during the year (2015: 4,360,000).

Share options held	At 30 June 2016	At 30 June 2015	Option Price	Exercise Period
Nicholas Mather	1,500,000	1,500,000	14p-28p	08/07/15 -08/07/17
Brian Moller	1,100,000	1,100,000	14p-28p	08/07/15 -08/07/17
Robert Weinberg	880,000	880,000	14p-28p	08/07/15 -08/07/17
John Bovard	880,000	880,000	14p-28p	08/07/15 -08/07/17

CORPORATE GOVERNANCE

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

The Board of SolGold plc is made up of one Executive Director and four Non-executive Directors. Nicholas Mather is the Executive Director. 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 Group. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group'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 Group's expense in the furtherance of his duties. One third of the Directors 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.

The Audit Committee, which meets not less than twice a year, is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored as well as liaising with the Group's auditor to discuss the accounts and the Group's internal controls. The Committee is comprised of the entire Board of Directors. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

The Remuneration Committee meets at least once a year and is responsible for making decisions on Directors' and key management's remuneration packages. The Committee is comprised of the entire Board of Directors.

The remuneration of the non-executive Directors is determined by the executive Directors who consider 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 they believe that it is in the interests of shareholders that non-executive Directors should be provided with share options in addition to the level of fees considered affordable. On 8 July 2014, 4,360,000 options were issued or just under 0.57% of the current issued share capital, and in the opinion of the executive Director this is not of sufficient magnitude as to affect their independence.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time, in accordance with the AIM rules of the London Stock Exchange rules. The Group's principal communication with its investors is through the Annual General Meeting, the annual report and accounts, the interim statement and its website.

The 2016 Annual General Meeting will provide an opportunity for the Chairman and/or Chief Executive Officer to present to the shareholders a report on current operations and developments and will enable the shareholders to question and express their views about the Group's business. A separate resolution will be proposed on each substantially separate issue, including the receipt of the financial statements and shareholders will be entitled to vote either in person or by proxy.

A Health, Safety, Environment and Community Committee (HSEC Committee) is responsible for the overall health, safety and environmental performance of the Group and its operations and its relationship with the local community in Ecuador, Solomon Islands and Queensland. The Committee is comprised of the entire Board of Directors.

EXECUTIVE REMUNERATION STRATEGY

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 will also have 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 share options.

RELATED PARTY TRANSACTIONS

Details of related party transactions for the Group and Company are given in note 22. Key management personnel remuneration disclosures are given in note 5.

DIRECTORS' INDEMNITY

The Company has arranged appropriate directors' and officers' insurance to indemnify the directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

AUDITOR

A resolution for the appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

SUBSEQUENT EVENTS

On 26 August 2016, the Company issued an additional 268,819,004 shares at £0.06 to raise \$27.9 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 9 September 2016, Mr Scott A. Caldwell was appointed as a Non-Executive Director.

On 24 September 2016, 6,520,000 unlisted options (comprising 2,850,000 options exercisable at 14p, 2,850,000 options exercisable at 28p and 820,000 options exercisable at 50p) expired.

On 14 October 2016, the Company issued an additional 63,353,339 shares at £0.13 to raise \$13.4 million in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 142,896,661 shares at £0.13 to raise \$30.3 million in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 19,591,768 unlisted options to Maxit Capital. The options consist of two tranches of 9,795,884 options each exercisable at £0.14 and £0.28.

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

The Directors are not aware of any other significant changes in the state of affairs of the Company after the reporting date that is not covered in this report.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DISCLOSURE OF AUDIT INFORMATION

In the case of each person who are Directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This report was approved by the board on 17 November 2016 and signed on its behalf.



Karl Schlobohm
Company Secretary
Lvl 27, 111 Eagle St
Brisbane QLD 4000
Australia

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLGOLD PLC

We have audited the financial statements of SolGold for the year ended 30 June 2016 which comprise the consolidated and Company statements of financial position, the consolidated statement of comprehensive income, the consolidated and Company statement of cash flows, the consolidated and Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2016 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

*Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
17 November 2016*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2016

	Notes	Group 2016 \$	Group 2015 \$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	-
Expenses			
Exploration costs written-off	12	(1,555,004)	(1,175,172)
Administrative		(2,553,010)	(3,066,982)
Movement in fair value of derivative liability	22a (v)	(1,378,260)	-
Operating loss		(5,486,274)	(4,242,154)
Finance income	6	585	10,570
Finance costs	6	(237,433)	(7,077)
Loss before tax	3	(5,723,122)	(4,238,661)
Tax expense	7	-	-
Loss for the year		(5,723,122)	(4,238,661)
Other comprehensive income			
<i>Items that may be reclassified into profit or loss</i>			
Change in fair value of available-for-sale financial assets	10a	190,610	(2,045,919)
Exchange differences on translation of foreign operations		1,048,814	1,159,075
Total comprehensive income for the year		(4,483,698)	(5,125,505)
Loss for the year attributable to:			
Owners of the parent company		(5,465,830)	(4,197,335)
Non-controlling interest		(257,292)	(41,326)
		(5,723,122)	(4,238,661)
Total comprehensive income for the year attributable to:			
Owners of the parent company		(4,383,728)	(5,258,040)
Non-controlling interest		(99,970)	132,535
		(4,483,698)	(5,125,505)
Loss per share		Cents per share	Cents per share
Basic loss per share	8	(0.7)	(0.6)
Diluted loss per share	8	(0.7)	(0.6)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 June 2016

Registered Number 5449516

	Notes	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Assets					
Property, plant and equipment	11	375,400	419,898	9,449	11,118
Intangible assets	12	41,079,914	30,748,723	-	-
Investment in subsidiaries	9	-	-	40,132,827	30,379,601
Investment in available-for-sale securities	10(b)	1,622,712	896,197	1,617,132	894,192
Loans receivable and other non-current assets	13	123,974	159,433	-	7,169
Total non-current assets		43,202,000	32,224,251	41,759,408	31,292,080
Other receivables and prepayments	15	203,169	151,295	168,353	136,872
Cash and cash equivalents	16	94,933	321,440	17,199	215,312
Total current assets		298,102	472,735	185,552	352,184
Total assets		43,500,102	32,696,986	41,944,960	31,644,264
Equity					
Share capital	17	17,015,019	13,184,721	17,015,019	13,184,721
Share premium	17	87,488,507	82,212,310	87,488,507	82,212,310
Other reserves		2,844,038	1,761,936	963,038	772,428
Accumulated loss		(72,489,364)	(67,023,534)	(69,514,852)	(65,874,946)
Non-controlling interest		123,137	223,107	-	-
Total equity		34,981,337	30,358,540	35,951,712	30,294,513
Liabilities					
Trade and other payables	18	3,742,361	2,338,446	1,216,844	1,349,751
Borrowings	22a (iv)	4,776,404	-	4,776,404	-
Total current liabilities		8,518,765	2,338,446	5,993,248	1,349,751
Total liabilities		8,518,765	2,338,446	6,001,910	1,349,751
Total equity and liabilities		43,500,102	32,696,986	41,944,960	31,644,264

The above consolidated and company statements of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 17 November 2016.



Nicholas Mather
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2016

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Available-for-sale financial assets reserve	Share option reserve	Foreign Currency Translation Reserve	Change in proportionate interest reserve	Accumulated loss	Total	Non-controlling interests	Total Equity
		\$	\$	\$	\$	\$		\$	\$	\$	\$
Balance at 30 June 2014	17	11,106,524	78,434,985	1,714,010	1,044,742	72,158	(67,864)	(62,826,199)	29,478,356	90,572	29,568,928
Loss for the year		-	-	-	-	-	-	(4,197,335)	(4,197,335)	(41,326)	(4,238,661)
Other comprehensive income		-	-	(2,045,919)	-	985,214	-	-	(1,019,379)	173,861	(886,844)
Total comprehensive income for the year		-	-	(2,045,919)	-	985,214	-	(4,197,335)	(5,258,040)	132,535	(5,125,505)
New share capital subscribed		2,078,197	4,156,344	-	-	-	-	-	6,234,541	-	6,234,541
Share issue costs		-	(379,019)	-	-	-	-	-	(379,019)	-	(379,019)
Value of share and options issued to Directors, employees and consultants		-	-	-	59,595	-	-	-	59,595	-	59,595
Balance at 30 June 2015	17	13,184,721	82,212,310	(331,909)	1,104,337	1,057,372	(67,864)	(67,023,534)	30,135,433	223,107	30,358,540
Loss for the year		-	-	-	-	-	-	(5,465,830)	(5,465,830)	(257,292)	(5,723,122)
Other comprehensive income		-	-	190,610	-	891,492	-	-	1,082,102	157,322	1,239,424
Total comprehensive income for the year		-	-	190,610	-	891,492	-	(5,465,830)	(4,383,728)	(99,970)	(4,483,698)
New share capital subscribed		3,830,298	5,292,358	-	-	-	-	-	9,122,656	-	9,122,656
Share issue costs		-	(16,161)	-	-	-	-	-	(16,161)	-	(16,161)
Balance at 30 June 2016		17,015,019	87,488,507	(141,299)	1,104,337	1,948,864	(67,864)	(72,489,364)	34,858,200	123,137	34,981,337

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
For the year ended 30 June 2016

Company statement of changes in equity

	Notes	Share capital \$	Share premium \$	Available-for-sale financial assets \$	Share option reserve \$	Accumulated loss \$	Total \$
Balance at 30 June 2014	17	11,106,524	78,434,985	1,714,010	1,044,742	(62,005,995)	30,294,266
Loss for the year		-	-	-	-	(3,868,951)	(3,868,951)
Other comprehensive income		-	-	(2,045,919)	-	-	(2,045,919)
Total comprehensive income for the year		-	-	(2,045,919)	-	(3,868,951)	(5,914,870)
New share capital subscribed		2,078,197	4,156,344	-	-	-	6,234,541
Share issue costs		-	(379,019)	-	-	-	(379,019)
Value of shares and options issued to Directors, employees and consultants		-	-	-	59,595	-	59,595
Balance at 30 June 2015	17	13,184,721	82,212,310	(331,909)	1,104,337	(65,874,946)	30,294,513
Loss for the year		-	-	-	-	(3,639,906)	(3,639,906)
Other comprehensive income		-	-	190,610	-	-	190,610
Total comprehensive income for the year		-	-	190,610	-	(3,639,906)	(3,449,296)
New share capital subscribed		3,830,298	5,292,358	-	-	-	9,122,656
Share issue costs		-	(16,161)	-	-	-	(16,161)
Balance at 30 June 2016		17,015,019	87,488,507	(141,299)	1,104,337	(69,514,852)	35,951,712

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
For the year ended 30 June 2016

	Notes	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Cash flows from operating activities					
Operating loss		(5,723,122)	(4,242,154)	(3,639,906)	(3,871,748)
Depreciation		14,303	18,378	8,012	9,573
Share based payment expense		-	59,595	-	59,595
Write-off of exploration expenditure		1,555,004	1,175,172	-	674,815
(Profit) on sale of property, plant and equipment		-	(888)	-	-
Movement in fair value of derivative liability		1,378,260		1,378,260	
Impairment of investments in subsidiaries		-	-	-	349,581
(Increase) decrease in other receivables and prepayments		(51,874)	961,045	(31,481)	878,250
(Decrease) increase in trade and other payables		(148,391)	80,792	516,318	(284,748)
Net cash outflow from operating activities		(2,975,820)	(1,948,060)	(1,768,797)	(2,184,682)
Cash flows from investing activities					
Interest received		585	10,570	-	9,873
Interest paid		(15,449)	(7,077)	(15,449)	(7,076)
Security deposit refunds		22,715	4,346	-	-
Acquisition of property, plant and equipment		(79,221)	(439,333)	(6,343)	(3,890)
Proceeds from the sale of property, plant and equipment		-	134,801	-	-
Acquisition of exploration and evaluation assets		(6,408,358)	(8,485,005)	-	(19,496)
Investment in available-for-sale securities		(530,330)	-	(530,330)	-
Loans advanced to subsidiaries		-		(7,636,565)	(8,242,457)
Net cash outflow from investing activities		(7,010,058)	(8,781,698)	(8,188,687)	(8,263,046)
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		908,329	6,877,414	908,329	6,877,414
Payment of issue costs		(16,163)	(373,445)	(16,163)	(373,445)
Proceeds from Convertible note issues		2,332,000	-	2,332,000	-
Proceeds from borrowing		6,535,205	-	6,535,205	-
Net cash inflow from financing activities		9,759,371	6,503,969	9,759,371	6,503,969
Net (decrease) in cash and cash equivalents		(226,507)	(4,225,789)	(198,113)	(3,943,759)
Cash and cash equivalents at the beginning of year		321,440	4,547,229	215,312	4,159,071
Cash and cash equivalents at end of year	16	94,933	321,440	17,199	215,312

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES

The Company is a public limited company incorporated in England and Wales and is listed on the AIM market of the London Stock Exchange.

(a) Statement of compliance

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have been applied consistently throughout these consolidated financial statements.

(b) Basis of preparation of financial statements and going concern

The consolidated financial statements are presented in Australian dollars ("A\$"), rounded to the nearest dollar.

The Company was incorporated on 11 May 2005. The Group from incorporation has prepared the annual consolidated financial statements in accordance with IFRS. A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. At the reporting date, the Group had a net working capital deficit position of \$8,220,663, compared with a net working capital deficit position in 2015 of \$1,865,711. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

Subsequent to the end of the year, the Group has raised \$71.6 million through the issue of 475,069,004 ordinary shares at £0.06 (US\$0.08) and £0.13 (US\$0.16), which was a combination of cash and debt conversions.

It should be noted that the current working capital levels will not be sufficient to bring the Group's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through other finance arrangements or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated into Australian dollars at the foreign exchange rate ruling at that date. Any resultant foreign exchange currency translation amount is taken to the profit and loss.

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in the Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The assets and liabilities of the entities are translated to the group presentation currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average rates for the period. Any exchange differences are taken directly to reserves. On disposal of an entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale.

The Company's functional and presentation currency is Australian dollars (A\$). The exchange rates applied in preparation of these financial statements at 30 June 2016 were £0.55359/A\$1.0, US\$0.7451/A\$1.0 and SBD\$5.8635/A\$1.0 (30 June 2015: £0.4872/A\$1.0, US\$0.76575/A\$1.0 and SBD\$6.0205/A\$1.0). The average exchange rate applied for the year ended 30 June 2016 was US\$0.7286/A\$1.0 (2015: US\$0.84034/A\$1.0).

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment used in corporate and administrative operations. Depreciation is capitalised to exploration on a straight-line basis over the estimated useful lives of each item of property, plant and equipment used in exploration operations. The estimated useful lives of all categories of assets are:

Office Equipment	3 years
Furniture and Fittings	5 years
Motor Vehicles	5 years
Plant and Equipment	5 years
Land and Buildings	12 years

The residual values and useful lives are assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

(f) Intangible assets

Deferred exploration costs

Costs incurred in relation to the acquisition of, or application for, a tenement area are capitalised where there is a reasonable expectation that the tenement will be acquired or granted. Where the Group is unsuccessful in acquiring or being granted a tenement area, any such costs are immediately expensed.

All other costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

(g) Loans receivables, other receivables and prepayments

Other receivables and prepayments are not interest bearing and are stated at their nominal amount less provision for impairment.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(i) Impairment (continued)

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

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(j) Share capital

(i) Ordinary share capital

The Company's ordinary shares are classified as equity.

(ii) Shares issued to settle liabilities

The Group from time to time settles financial liabilities by issuing shares. The Group considers these equity instruments as 'consideration paid' and accordingly derecognises the financial liability.

The equity instruments issued are measured at fair value, with the difference being taken to the income statement, unless the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder. When the creditor is acting in capacity as a direct or indirect shareholder the value of shares issued is deemed to be the carrying value of the liability.

(k) Employee benefits

(i) Share based payment transactions

The Group 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 share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share based payment transactions are disclosed in Note 19.

(ii) Retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the statement of comprehensive income.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(m) Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value, unless settled with shares as per (J) (ii) above. The effect of discounting is immaterial.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(n) Revenue

During the exploration phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(o) Other income

Other income is recognised in the statement of comprehensive income as it accrues.

(p) Financing costs and income

(i) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

(ii) Finance income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(q) Taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(r) Segment reporting

The Group determines and presents operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results and asset position are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(s) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings on acquisition are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss on disposal of the interest.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(t) Project Financing / Farm-outs

The Group, from time to time, enters into funding arrangements with third parties in order to progress specific projects. The Group accounts for the related exploration costs in line with the terms of the specific agreement. Costs incurred by SolGold plc are recognised as intangible assets within the financial statements. Costs incurred by third parties are not recognised by SolGold plc.

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(v) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. These assets are measured at fair value with gains or losses recognised in the profit or loss.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets comprise investments in listed and unlisted entities and non-derivatives that are either designated in this category or not classified in any other categories. After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income.

(iv) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

(v) *Derivatives*

Derivative financial instruments, consisting of embedded conversion options in convertible loan notes, are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments are recognised in profit or loss as they arise.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, where appropriate, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(v) Financial Instruments (continued)

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined from available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral. Impairment losses are recognised in the profit or loss.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through profit or loss. When a subsequent event reduces the impairment of an available for sale equity instrument the fair value increased is recognised in other comprehensive income.

(w) Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:

(i) Company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company has not been separately presented in these financial statements. The Company's loss for the year was \$3,639,906 (2015: \$3,868,951).

(ii) Subsidiary investments

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, for assets that could be capitalised in accordance with IFRS 6, is recorded within investments in subsidiary undertakings.

(x) Nature and purpose of reserves

(i) Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Share option reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised.
- the grant date fair value of shares issued to employees.

(iii) Change in proportionate interest reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 1 ACCOUNTING POLICIES (Continued)

(x) Nature and purpose of reserves (continued)

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(y) Changes in accounting policies

New standards and amendments in the year

The following were amendments to published standards and interpretations to existing standards effective in the year and adopted by the Group.

These new standards and interpretations had no effect on reported results, financial position or disclosure in the financial statements:

- Annual Improvements to IFRSs – 2010 - 2012 Cycle
- Annual Improvements to IFRSs – 2011 - 2013 Cycle
- IFRIC 21 Levies

New standards and interpretations not yet adopted

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

IFRS 9 Financial instruments

The complete standard has been issued in July 2014 including the requirements previously issued and additional amendments. The new standard replaces IAS 39 and includes a new expected loss impairment model, changes to the classification and measurement requirements of financial assets as well as to hedge accounting. The new standard becomes effective for financial years beginning on or after 1 January 2018. The Group will assess the impact on its Consolidated Financial Statements.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014 and establishes the principles for the disclosure of useful information in the financial statements in respect of contracts with customers. The new standard becomes mandatory for financial years beginning on or after 1 January 2018. The effect will be assessed and disclosure will be made once the Group has assessed the impact of applying IFRS 15. However as the Group currently does not generate revenue there is no significant impact expected.

IFRS 16 Leases

The new standard was issued in January 2016 replacing the previous leases standard, IAS 17 Leases, and related Interpretations. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases for the customer ('lessee') and the supplier ('lessor'). IFRS 16 eliminates the classification of leases as either operating or finance as is required by IAS 17 and, instead, introduces a single lessee accounting model requiring a lessee to recognise assets and liabilities for all leases unless the underlying asset has a low value or the lease term is twelve months or less. This new standard applies to annual reporting periods beginning on or after 1 January 2019 subject to EU endorsement. The Group will review its arrangements in place in order to evaluate the potential impact of the new standard.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 2 SEGMENT REPORTING

The Group determines and separately reports operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors along company lines. That is, the financial position of SolGold and each of its subsidiary companies is reported discretely, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below. The financial information of the subsidiaries that do not exceed the thresholds outlined above, and is therefore not reported separately, is aggregated as Other Subsidiaries.

30 June 2016	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	-	-	(3,639,906)	41,944,960	5,993,248	-	8,228
ARM	166	166	(912)	319,400	32,904,594	-	724
Central Minerals	4	4	(143,336)	3,670,423	13,239,905	-	376
Acapulco Mining	415	415	(217,676)	5,641,323	3,814,227	-	5,191
Solomon Operations	-	-	-	4	9,948	-	-
Honiara Holdings	-	-	(558)	-	958,120	-	-
Guadalcanal Exploration	-	-	(5,456)	1,222,828	1,222,828	-	-
ENSA	-	-	(1,715,278)	26,155,728	20,613,853	-	-
Others	-	-	-	102,480	102,480	-	-
Consolidation / Elimination	-	-	-	(35,557,044)	(70,340,438)	-	-
Total	585	585	(5,723,122)	43,500,102	8,518,765	-	14,519

30 June 2015	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	9,873	9,873	(3,868,951)	31,993,846	1,349,750	59,595	9,573
ARM	186	186	(389,634)	320,139	32,904,421	-	2,455
Central Minerals	10	10	12,077	3,670,423	13,186,119	-	1,165
Acapulco Mining	500	500	(130,957)	5,812,595	3,767,823	-	5,185
Solomon Operations	-	-	71,510	4	9,948	-	-
Honiara Holdings	-	-	(2,337)	-	957,562	-	-
Guadalcanal Exploration	-	-	(4,442)	2,338	1,217,372	-	-
ENSA	-	-	(275,500)	15,975,498	10,431,634	-	-
Consolidation / Elimination	-	-	349,573	(25,077,858)	(61,486,183)	-	-
Total	10,570	10,570	(4,238,661)	32,696,985	2,338,446	59,595	18,378

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 2 SEGMENT REPORTING (continued)

Geographical information

Non-current assets	2016 \$	2015 \$
UK	-	-
Australia	11,570,970	16,318,503
Solomon Islands	-	-
Ecuador	31,631,030	15,905,748

The Group had no revenue during the current and prior year.

NOTE 3 LOSS BEFORE TAX

	Group 2016 \$	Group 2015 \$
Loss is stated after charging (crediting)		
Auditors' remuneration:		
<i>Amounts received or due and receivable by BDO (UK) for:</i>		
The audit of the company's annual accounts	36,735	36,900
<i>Amounts received or due and receivable by related practices of BDO (UK) for:</i>		
The audit of the company's annual accounts	62,939	34,910
Depreciation	14,519	18,161
Foreign exchange (gains)/losses	(129,619)	(122,623)
Share based payments	-	59,595

NOTE 4 STAFF NUMBERS AND COSTS

	Group 2016	Group 2015	Company 2016	Company 2015
Corporate finance and administration	11	11	7	7
Technical	108	100	2	2
	119	111	9	9

The aggregate payroll costs of these persons were as follows:

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Wages and salaries	2,833,769	2,763,284	850,352	765,229
Contributions to superannuation	235,414	215,228	47,615	58,171
Share based payments	-	17,534	-	17,534
Total staff costs	3,069,183	2,996,046	897,967	840,934

Included within total staff costs is \$2,192,934 (2015: \$1,977,592) which has been capitalised as part of deferred exploration costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary \$	Other Benefits \$	Pensions \$	Total Remuneration \$
2016				
Directors				
Nicholas Mather	150,000	-	-	150,000
Brian Moller	50,000	-	-	50,000
Robert Weinberg	50,000	-	-	50,000
John Bovard	33,333	-	-	33,333
Total paid to Key Management Personnel	283,333	-	-	283,333
Staff and contractors	2,833,769	-	235,414	3,069,183
Total	3,117,102	-	235,414	3,352,516

	Basic Annual Salary \$	Other Benefits \$	Pensions \$	Total Remuneration \$
2015				
Directors				
Alan Martin ¹	444,849	-	28,011	472,860
Nicholas Mather	150,000	18,423	-	168,423
Brian Moller	50,000	13,526	-	63,526
Robert Weinberg	50,000	10,542	-	60,542
John Bovard	50,000	10,542	-	60,542
Total paid to Key Management Personnel	744,489	53,033	28,011	825,893
Staff and contractors	2,318,435	-	157,057	2,475,492
Total	3,063,284	53,033	185,068	3,301,385

¹ Includes the following payments: Termination payment - \$150,000, annual leave payout - \$2,228, bonus - \$50,000, superannuation - \$27,274

During the year no directors exercised options granted under the employee share option plan (2015: nil).

During the year, no employer's social security costs (2015: \$28,011) were paid in respect of remuneration for key management personnel. The board of directors are all considered to be key management personnel.

NOTE 6 FINANCE INCOME AND COSTS

	Group 2016 \$	Group 2015 \$
Interest income	585	10,570
Finance income	585	10,570
Interest cost	(237,433)	(7,077)
Finance costs	(237,433)	(7,077)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 7 TAX EXPENSE

Factors affecting the tax charge for the current year

The tax credit for the period is lower than the credit resulting from the application of the standard rate of corporation tax in Australia of 30% (2015: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	Group 2016 \$	Group 2015 \$
Tax reconciliation		
Loss before tax	(5,723,122)	(4,238,661)
Tax at 30% (2015: 30%)	(1,716,937)	(1,271,598)
Effects at 30% (2015: 30%) of:		
Short term temporary differences	(43,663)	179,781
Non-deductible expenses	31,773	135,986
Tax losses carried forward	1,728,826	955,831
Tax on loss	-	-

Factors that may affect future tax charges

The Group has carried forward tax losses of approximately \$52 million (2015: \$45 million). These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group company of various tax integrity measures applicable in the jurisdiction where the tax loss has been incurred. The jurisdictions in which tax losses have been incurred include Australia, Ecuador and the Solomon Islands.

NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of \$5,723,122 (2015: \$4,238,661) and the weighted average number of ordinary shares outstanding of 839,995,115 (2015: 686,978,658).

There is no difference between the diluted loss per share and the basic loss per share presented as the share options on issue during the period and prior period were not considered dilutive. At 30 June 2016 there were 21,380,000 share options on issue (2015: 21,380,000).

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	SolGold plc's effective interest	
			2016	2015
Australian Resources Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%	100%
Central Minerals Pty Ltd	Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%
Honiara Holdings Pty Ltd	Australia	Exploration	100%	100%
Guadalcanal Exploration Pty Ltd	Australia	Exploration	100%	100%
Exploraciones Novomining S.A.	Ecuador	Exploration	85%	85%
Carnegie Ridge Resources S.A	Ecuador	Exploration	100%	-
Green Rock Resources S.A	Ecuador	Exploration	100%	-
Valle Rico Resources S.A.	Ecuador	Exploration	100%	-
Cruz Del Sol S.A	Ecuador	Exploration	100%	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

	Investment in subsidiary undertakings		
	Shares \$	Loans \$	Total \$
Cost			
Balance at 30 June 2014	14,004,879	56,944,721	70,949,600
Acquisitions and advances in the year	-	8,787,343	8,787,343
Balance at 30 June 2015	14,004,879	65,732,064	79,736,943
Acquisitions and advances in the year	-	9,753,226	9,753,226
Balance at 30 June 2016	14,004,879	75,485,290	89,490,169
Amortisation and impairment losses			
Balance at 30 June 2014	(5,016,948)	(43,990,813)	(49,007,761)
Provision for impairment	-	(349,581)	(349,581)
Balance at 30 June 2015	(5,016,948)	(44,340,394)	(49,357,342)
Provision for impairment	-	-	-
Balance at 30 June 2016	(5,016,948)	(44,340,394)	(49,357,342)
Carrying amounts			
Balance at 30 June 2014	8,987,931	12,953,908	21,941,839
Balance at 30 June 2015	8,987,931	21,391,670	30,379,601
Balance at 30 June 2016	8,987,931	31,144,896	40,132,827

The write-down of the deferred exploration costs during the prior year associated with certain projects in Queensland and the Solomon Islands led to the Company recording a provision for impairment of \$349,581 on the loans receivable from Australian Resource Management (ARM) Pty Ltd, Central Minerals Pty Ltd and Guadalcanal Exploration Pty Ltd.

Details of all loans within the Group made during the year are set out below:

	Shares \$	Loans \$	Total \$
Cost			
Total investment in subsidiaries by the Company at 30 June 2014	14,004,879	56,944,721	70,949,600
Advances during the period to ARM Pty Ltd	-	194,967	194,967
Advances during the period to Acapulco Mining Pty Ltd	-	12,085	12,085
Repayments during the period from Central Minerals Pty Ltd	-	(18,389)	(18,389)
Advances during the period to Honiara Holdings Pty Ltd	-	1,048	1,048
Advances during the period to Guadalcanal Exploration Pty Ltd	-	1,863	1,863
Advances during the period to Exploraciones Novomining S.A.	-	8,595,769	8,595,769
Total investment in subsidiaries by the Company at 30 June 2015	14,004,879	65,732,064	79,736,943
Advances during the period to ARM Pty Ltd	-	6	6
Advances during the period to Acapulco Mining Pty Ltd	-	1,852	1,852
Advances during the period to Central Minerals Pty Ltd	-	7,435	7,435
Advances during the period to Honiara Holdings Pty Ltd	-	558	558
Advances during the period to Guadalcanal Exploration Pty Ltd	-	5,456	5,456
Advances during the period to Exploraciones Novomining S.A.	-	9,635,440	9,635,440
Advances during the period to Carnegie Ridge Resources S.A	-	70,390	70,390
Advances during the period to Green Rock Resources S.A	-	12,280	12,280
Advances during the period to Valle Rico Resources S.A.	-	19,809	19,809
Advances during the period to Cruz Del Sol S.A	-	-	-
Total investment in subsidiaries by the Company at 30 June 2016	14,004,879	75,485,290	89,490,169

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 10 INVESTMENTS

(a) Investments accounted for as available-for-sale assets

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Movements in available-for-sale financial assets				
Opening balance at 1 July	896,197	2,942,116	894,192	2,940,111
Additions	535,905	-	532,330	
Fair Value adjustment through other comprehensive income	190,610	(2,045,919)	190,610	(2,045,919)
	1,622,712	896,197	1,617,132	894,192

Available for sale financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc., listed on the Toronto Stock Exchange ("TSX") and an investment in the ordinary issued capital of Aus Tin Mining Ltd, a company listed on the Australian Securities Exchange.

(b) Fair value

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The fair values of financial assets and financial liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The following table represents the Group's financial assets and liabilities measured and recognised at fair value.

	\$ Level 1	\$ Level 2	\$ Level 3	\$ Total
2016				
Available for sale financial assets	1,622,712	-	-	1,622,712
2015				
Available for sale financial assets	896,197	-	-	896,197

The available for sale financial assets are measured based on the quoted market prices at 30 June.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment \$	Motor Vehicles \$	Group Office Equipment \$	Furniture & Fittings \$	Total \$	Company \$
Cost						
Balance 30 June 2014	150,852	101,553	115,218	38,654	406,276	54,289
Additions – business combinations	12,047	5,624	8,618	3,556	29,845	-
Additions – other	119,708	294,470	28,139	20,474	462,791	3,890
Disposals	-	(134,802)	-	(2,338)	(137,140)	-
Balance 30 June 2015	282,607	266,845	151,975	60,346	761,772	58,179
Effect of foreign exchange on opening balance	4,783	5,258	1,936	1,029	13,006	-
Additions	28,294	-	17,478	22,887	68,659	6,343
Disposals	-	-	-	-	-	-
Balance 30 June 2016	315,684	272,103	171,389	84,262	843,438	64,522
Depreciation and impairment losses						
Balance 30 June 2014	(90,263)	(90,986)	(73,661)	(17,625)	(272,535)	(37,488)
Effect of foreign exchange on opening balance	(706)	(5,624)	(444)	(16)	(6,790)	-
Depreciation charge for the year	(6,696)	(5,082)	(4,686)	(1,697)	(18,161)	(9,573)
Depreciation capitalised to exploration	(28,940)	(29,854)	(22,140)	(4,093)	(85,026)	-
Disposals	-	40,541	-	97	40,639	-
Balance 30 June 2015	(126,605)	(91,005)	(100,931)	(23,334)	(341,873)	(47,061)
Effect of foreign exchange on opening balance	(682)	(637)	(779)	(130)	(2,228)	-
Depreciation charge for the year	(3,358)	(5,088)	(4,373)	(1,700)	(14,519)	(8,012)
Depreciation capitalised to exploration	(43,259)	(38,999)	(22,984)	(4,174)	(109,416)	-
Disposals	-	-	-	-	-	-
Balance 30 June 2016	(173,904)	(135,729)	(129,067)	(29,338)	(468,038)	(55,073)
Carrying amounts						
At 30 June 2014	60,589	10,567	41,557	21,029	133,742	16,801
At 30 June 2015	156,002	175,840	51,044	37,012	419,898	11,118
At 30 June 2016	141,780	136,374	42,322	54,924	375,400	9,449

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12 INTANGIBLE ASSETS

	Deferred Group exploration costs \$	Deferred Company exploration costs \$
Cost		
Balance 30 June 2014	70,451,479	640,857
Additions – expenditure	10,472,446	33,533
Balance 30 June 2015	80,923,925	674,390
Additions – expenditure	11,886,195	-
Balance 30 June 2016	92,810,120	-
Impairment losses		
Balance 30 June 2014	(49,000,030)	-
Impairment charge	(1,175,172)	(674,390)
Balance 30 June 2015	(50,175,202)	-
Impairment charge	(1,555,004)	-
Balance 30 June 2016	(51,730,206)	-
Carrying amounts		
At 30 June 2014	21,451,449	640 857
At 30 June 2015	30,748,723	-
At 30 June 2016	41,079,914	-

Impairment loss

The Group did not consider it necessary to make a provision for impairment during the year (2015: nil). A decision was made to expense \$1,555,004 (2015: \$1,175,172) for exploration expenditure associated with other tenements that were surrendered or lapsed during the year. A detailed assessment of the carrying values of deferred exploration costs is provided below.

Cascabel Project (85% Ownership)

The Cascabel Project is a porphyry copper- gold deposit located in the Imbabura province of northwest Ecuador. It lies just off the main road, an easy 3-hour drive north of Ecuador's capital city, Quito. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. Topography rises from elevations of 750 metres to 2,100 metres and the moderate to steep landscape is incised by four large drainage complexes. A first-order paved highway provides year-round access and crosses the north-east corner of the concession.

Cascabel is SolGold's flagship project and shows significant promise of hosting a tier 1 resource. At Alpala, 24,242.5m of drilling has been completed for 18 drill holes of which 16 have hit the Alpala deposit and 6 of which (Holes 5, 9, 12, 15R2, 16 and 17) delivered world class intersections - consisting of over 1km of continuous mineralisation grading over 1% Copper Equivalent. Drill hole CSD-14-009 for example, returned one of the best results in the history of mineral exploration, with 1088m grading 0.66% copper and 0.89 g/t gold for 1.48% Copper Equivalent.

Drilling to date has not yet constrained the rich Alpala copper-gold deposit, and a resource estimation at this stage would be premature. 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.

SolGold now has a war chest of US\$44 million, which will primarily be used to expand Alpala and drill test the other copper-gold targets, particularly Alpala, Alpala South East, Hematite Hill, Trivinio, Moran, Aguinaga and Tandayama-America. Over 90,000 metres of drilling is planned over the next two years, using directional drilling and ramping up to 10 rigs on site.

Completion of a new access road to Alpala Camp via the village of Santa Cecilia, located in the centre of the concession, is providing vital operational advantages to the project now. Ecuador is undergoing a transformation with significant improvements to infrastructure, including five key sea ports, over 10,000km of new highways, and 10 new hydroelectric projects. These infrastructure improvements are sure to afford the project enormous capital advantages as the project moves toward feasibility over the coming years.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12 INTANGIBLE ASSETS (continued)

Cascabel Project (continued)

Northern Ecuador lies within the under-explored northern section of the richly endowed Andean Copper Belt, which extends from Chile in the south to Colombia in the north and then north-west into Panama. The tenement lies on the margin of the Eocene and Miocene metallogenic belts which are renowned for hosting some of the world's largest porphyry copper and gold deposits, like the giant La Escondida Copper Mine in Chile, which is the world's largest producer of copper and hosted within the same age host rocks as Cascabel.

A number of other globally significant deposits have been discovered in the region, some of which are becoming mines. These include the Junin copper project (982 million tonnes at 0.89% Cu), located some 60 km to the south-west of Cascabel, the La Colosa porphyry deposit (905 million tonnes at 0.92 g/t Au) located to the north in Colombia and the massive Cobre Panama deposit (3.3 billion tonne at 0.36% Cu) located to the north in Panama which contains over 26 million ounces of gold. The Fruta del Norte project in southern Ecuador is among the largest and highest grade undeveloped gold projects in the world (23.5 million tonnes at 9.59 g/t Au) and highlights the pedigree of potential within the country.

Exploration on the Cascabel concession has included: geological mapping, stream silt sampling, soil sampling, rock chip sampling, channel sampling, a heli-magnetic survey (which has been modelled in 3D), a radiometric survey, gridding in preparation for a 3D Induced Polarisation (IP) and magneto-telluric (MT) survey, diamond drilling petrography, mineragraphy, metallurgical scoping work, terra-spec spectral mapping, and orientation and environmental base line sampling.

Exploration activity to date has identified 14 potential porphyry centres at Cascabel, with 8 high priority prospects at:

- Alpala
- Alpala Northwest
- Alpala Southeast
- Trivinio
- Moran
- Aguinaga
- America-Tandayama
- Cristal

Exploration activities during 2016 included:

- Anaconda style geological mapping in key areas.
- Exploration reconnaissance mapping and sampling across the mineralised corridors identified.
- Extension and infill soil sampling across the remaining prospective portion of the tenement. Rock-saw channel sampling at Alpala, Alpala Southwest, Alpala South, Trivinio and Moran prospects.
- Re-modelling of constrained heli-magnetic, Orion 3DIP and magneto-telluric (MT) surveys at Alpala and Aguinaga using data collected from magnetic susceptibility of drill core.
- Diamond drilling of drill holes 12 to 17 at Alpala, for a total of 16,848.7m, bringing the total for metres drilled at Cascabel to 24,242.5m.
- Upgrade and expansion of the Alpala field camp and the Rocafuerte field office.
- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralisation styles, paragenesis, and alteration types.
- Mineragraphy and metallurgical scoping work.
- Spectral alteration mapping on soil gridding across the tenement, and follow-up deep auger mapping, further refining targets identified.
- Ongoing environmental management over the concession area in line with guidelines provided by the Ministry of Environment.
- Submission of annual technical and environmental management reports.
- Preparation for ground-magnetic survey in December 2016.

All drilling to date has focussed on the Alpala prospect where 18 drill holes have been completed for a total combined meterage of 24,242.5m.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 12 INTANGIBLE ASSETS (continued)

Cascabel Project (continued)

The completion of soil gridding and infill across the entire tenement area has produced coincident molybdenum, gold and copper / zinc ratio in soil anomalies that highlight targets of potential porphyry centres characterised by higher temperatures of mineralisation. The low manganese in soil is inferred to be related to intense late-stage hydrothermal alteration, whilst the presence of elevated zinc surrounding these areas of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

Priority target areas at Alpala, Alpala Southwest and Aguinaga will be drill tested in the coming year, whilst field programs continue to assess potential of the 14 possible porphyry centres identified to date. Detailed follow up field work and technical studies of the other satellite targets continue as new target are being generated in the surrounding areas and exploration over the tenement.

The aggregate carrying value of \$28.8 million is considered to be unimpaired.

SolGold 100% owned Projects

Acapulco Mining Projects

Acapulco has three granted tenements across Queensland. The granted tenements comprise of 232 sub-blocks (circa 718km²).

Extensive airborne magnetic and electromagnetic surveys have been conducted over some of the tenements, together with detailed stream sediment sampling, soil sampling, rock chip sampling and geological mapping programs. Furthermore, since May 2006 a total of 283 holes, equivalent to 24,377.8m have been drilled on the tenements.

The objective has been to step-out from areas of known gold mineralisation so that resources can be defined and enlarged, with the objective of defining a maiden resource. The Company is seeking a joint venture partner to further progress these projects.

The aggregated carrying value of \$8.72 million is considered to be unimpaired.

Central Minerals Projects

Central Minerals comprises of seven granted tenements which is comprised of 280 sub-blocks (circa 886km²).

Extensive airborne magnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling, trenching, mapping programs and an induced polarisation geophysical survey. Since October 2007, a total of 473 holes, equivalent to 58,886.62m, have been drilled on the tenements.

On 23 May 2012, SolGold announced an updated indicated and inferred combined resource at Rannes at an 0.3 g/t Au cut-off of 18.7 million tonnes at 0.92 g/t gold equivalent (gold + silver) for 550,000 ounces of gold equivalent (296,700 ounces of gold and 10,139,000 ounces of silver; values rounded). The resource at a 0.5 g/t Au cut-off is 12.23 million tonnes at 0.60g/t gold and 23.18g/t silver; for 237,240 ounces Au and 9,105,072 ounces Ag (using a gold to silver ratio of 1:50). Several other prospects exist that contain known gold mineralisation that has not yet been included in the resource estimate. The Company is seeking a JV partner to progress drilling on the Rannes project tenements.

The Central Minerals projects have a carrying value of \$3.55 million at 30 June 2016 and are considered to be unimpaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 13 LOAN RECEIVABLES AND OTHER NONCURRENT ASSETS

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Security bonds	123,974	159,433	-	7,169
	123,974	159,433	-	7,169

Security bonds relate to cash security held against office premises, Level 27, 111 Eagle St, Brisbane, Queensland Australia, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

NOTE 14 DEFERRED TAXATION

Recognised deferred tax assets

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Deferred tax assets:				
Tax losses	3,682,448	3,753,665	-	-
Deferred tax liabilities:				
Temporary timing differences arising on intangible assets	(3,682,448)	(3,753,665)	-	-
Net deferred taxes	-	-	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following amounts. Deferred tax has been calculated at the expected future rate of corporation tax of 30%.

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Temporary differences	12,107,126	12,712,206	-	-
Tax losses	11,655,562	10,175,920	11,525,379	9,934,125
	23,762,688	22,888,126	11,525,379	9,934,125

The deferred tax asset in respect of these items has not been recognised as future taxable profit is not anticipated within the foreseeable future.

NOTE 15 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Other receivables	203,169	151,295	168,353	136,872
Prepayments	-	-	-	-
	203,169	151,295	168,353	136,872

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 16 CASH AND CASH EQUIVALENTS

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Cash at bank	94,933	321,440	17,199	215,312
Cash and cash equivalents in the statement of cash flows	94,933	321,440	17,199	215,312

NOTE 17 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2015 No. of Shares	2015 Nominal Value £
At 1 July 2014 – Ordinary shares	820,000,000	8,200,000
Increase in authorised share capital of £0.01 each on 23 January 2015	200,000,000	2,000,000
At 30 June 2015 – Ordinary shares	1,020,000,000	10,200,000

	2016 No. of Shares	2016 Nominal Value £
At 1 July 2015 – Ordinary shares	1,020,000,000	10,200,000
Increase in authorised share capital of £0.01 each on 27 November 2015	400,000,000	4,000,000
At 30 June 2016 – Ordinary shares	1,420,000,000	14,200,000

(b) Changes in Issued Share Capital and Share Premium

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 14	652,153,202	11,106,524	78,434,985	89,541,509
Shares issued at £0.03 – Placement 17 December 2014	33,591,828	633,842	1,267,633	1,901,475
Share issue costs charged to share premium account	-	-	(85,191)	(85,191)
Shares issued at £0.03 – Open offer 9 April 2015	74,708,041	1,444,355	2,888,711	4,333,066
Share issue costs charged to share premium account	-	-	(293,828)	(293,828)
Ordinary shares of 1p at 30 June 2015	760,453,071	13,184,721	82,212,310	95,397,031

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 15	760,453,071	13,184,721	82,212,310	95,397,031
Shares issued at £0.015 – Placement 19 November 2015	62,263,534	1,331,612	665,807	1,997,419
Share issue costs charged to share premium account	-	-	(16,161)	(16,161)
Shares issued at £0.023 – Placement 7 March 2016	80,909,257	1,541,129	2,003,467	3,544,596
Shares issued at £0.023 – Convertible notes conversion 7 March 2016	50,271,739	957,557	2,623,084	3,580,641
Ordinary shares of 1p at 30 June 2016	953,897,601	17,015,019	87,488,507	104,503,526

Potential issues of ordinary shares

At 30 June 2016 the Company had 21,380,000 options outstanding for the issue of ordinary shares (2015: 21,380,000).

Options

Share options are granted to employees under the company's Employee Share Option Plan ("ESOP"). The employee share option plan is designed to align participants' interests with those of shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 17 CAPITAL AND RESERVES (continued)

Options (continued)

Unless otherwise documented with the Company, when a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately. The Company prohibits key management personnel from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2015
10 May 2013*	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	6 September 2017	£0.14	3,000,000	3,000,000
15 July 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	15 July 2016	£0.14	1,250,000	1,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	15 July 2016	£0.28	2,250,000	2,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	15 July 2016	£0.50	4,000,000	4,000,000
24 September 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	24 September 2016	£0.14	3,250,000	2,850,000
24 September 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	24 September 2016	£0.28	3,250,000	2,850,000
24 September 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	24 September 2016	£0.50	820,000	820,000
8 July 2014	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	8 July 2017	£0.14	2,180,000	2,180,000
8 July 2014	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	8 July 2017	£0.28	2,180,000	2,180,000
				22,180,000	21,380,000

*The options were granted for accounting purposes on 10 May 2013, approved at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 17 CAPITAL AND RESERVES (continued)

Share options issued

No options were granted during the year ended 30 June 2016.

On 8 July 2014, the company entered into an agreement to grant 4,360,000 unlisted options to the Board of Directors. The options have a life of 3 years. The terms of the share options are as follows:

- 2.18 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 2.18 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and

Refer to note 19 for further details.

Dividends

The Directors do not recommend the payment of a dividend (2015: nil).

Capital Management

Given the nature of the Group's current activities the entity will remain dependant on equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.

NOTE 18 TRADE AND OTHER CURRENT PAYABLES

	Group 2016 \$	Group 2015 \$	Company 2016 \$	Company 2015 \$
Current				
Trade payables	1,348,875	1,065,617	847,413	1,000,066
Other payables	351,145	326,689	56,958	68,019
Accrued expenses	2,042,341	946,140	312,473	281,666
	3,742,361	2,338,446	1,216,844	1,349,751

NOTE 19 EMPLOYEE BENEFITS

Share-based payments

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2016	Number of options 2016	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	£0.27	21,380,000	£0.34	30,920,000
Lapsed during the year	-	-	£0.41	(13,900,000)
Granted during the year	-	-	£0.21	4,360,000
Outstanding at the end of the year	£0.27	21,380,000	£0.27	21,380,000
Exercisable at the end of the year	-	-	-	-

The options outstanding at 30 June 2016 have an exercise price of £0.14 - £0.50 (2015: £0.14 - £0.50) and a weighted average contractual life of 0.46 years (2015: 1.46 years).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 19 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

Share options held by Directors are as follows:

Share options held	At 30 June 2016	At 30 June 2015	Option Price	Exercise Period
Nicholas Mather	750,000	750,000	14p	08/07/14 – 08/07/17
	750,000	750,000	28p	08/07/14 – 08/07/17
Brian Moller	550,000	550,000	14p	08/07/14 – 08/07/17
	550,000	550,000	28p	08/07/14 – 08/07/17
Robert Weinberg	440,000	440,000	14p	08/07/14 – 08/07/17
	440,000	440,000	28p	08/07/14 – 08/07/17
John Bovard	440,000	440,000	14p	08/07/14 – 08/07/17
	440,000	440,000	28p	08/07/14 – 08/07/17

The total number of options outstanding at year end is as follows:

Share options held at 30 June 2016	Share options held at 30 June 2015	Option price	Exercise periods
3,000,000	3,000,000	£0.14	Vesting from 30 day VWAP of 20p to 06/09/2017
1,250,000	1,250,000	£0.14	Vesting from 30 day VWAP of 20p to 15/07/2016
2,250,000	2,250,000	£0.28	Vesting from 30 Day VWAP of 40p to 15/07/2016
4,000,000	4,000,000	£0.50	Vesting from 30 Day VWAP of 80p to 15/07/2016
2,850,000	2,850,000	£0.14	Vesting from 30 Day VWAP of 20p to 24/09/2016
2,850,000	2,850,000	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
820,000	820,000	£0.50	Vesting from 30 Day VWAP of 80p to 24/09/2016
2,180,000	2,180,000	£0.14	Vesting from 30 Day VWAP of 20p to 08/07/2017
2,180,000	2,180,000	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
21,380,000	21,380,000		

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 19 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. This estimate is based on either a Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

Fair value of share options and assumptions	2014					
	£0.50 Options 15 July 2013	£0.28 Options 15 July 2013	£0.14 Options 15 July 2013	£0.50 Options 24 Sept 2013	£0.28 Options 24 Sept 2013	£0.14 Options 24 Sept 2013
Number of options	4,000,000	2,250,000	1,250,000	820,000	3,250,000	3,250,000
Fair value at issue date	£0.0001	£0.0012	£0.0043	£0.001	£0.003	£0.011
Exercise price	£0.50	£0.28	£0.14	£0.50	£0.28	£0.14
Expected volatility	127.46%	127.46%	127.46%	113.24%	113.24%	113.24%
Option life	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	1.28%	1.28%	1.28%	1.62%	1.62%	1.62%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

Fair value of share options and assumptions	2015	
	£0.14 Options 8 July 2014	£0.28 Options 8 July 2014
Number of options	2,180,000	2,180,000
Fair value at issue date	£0.010	£0.003
Exercise price	£0.140	£0.280
Expected volatility	115.31%	115.31%
Option life	3.00 years	3.00 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (short-term)	2.48%	2.48%
Valuation methodology	Monte Carlo	Monte Carlo

The calculation of the volatility of the share price was based on the Company's daily closing share price over the two-year period prior to the date the options were issued.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

Financial instruments by category

Financial assets	Loans and receivables		Available-for-sale	
	2016	2015	2016	2016
Cash and cash equivalents	94,933	321,440	-	-
Trade and other receivables	123,974	159,433	-	-
Equity investments	-	-	1,622,712	896,197
Total financial assets	218,907	480,873	1,622,712	896,197

Financial liabilities	Financial liabilities at amortised cost	
	2016	2015
Trade and other payables	3,742,361	2,338,446
Borrowings	4,776,404	-
Total financial liabilities	8,518,765	2,338,446

If required, the Board of Directors determines the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign currency risk and liquidity risk, each of which is discussed below. The main credit risk is the non-collection of loans and other receivables which include refunds and tenement security deposits. There were no overdue receivables at year end.

There have been no changes in financial risks from the previous year.

During the year ended 30 June 2016 and 2015 no trading in commodity contracts was undertaken.

Market risk

Interest rate risks

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The increase/decrease of 2% in interest rates will impact the Group's income statement by a gain/loss of \$1,899 and the company's income statement by \$344. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

Foreign currency risk

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations which require funds to be maintained in currencies other than the functional currency of operation; and
- Translational exposures in respect of investments in overseas operations which have functional currencies other than Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) (continued)

Currency risk in respect of non-functional currency expenditure is reviewed by the Board.

The table below shows the extent to which Group companies have monetary assets and liabilities in different currencies. Foreign exchange differences on retranslation of such assets and liabilities are taken to the statement of comprehensive income.

	Group 2016 \$	Group 2015 \$
Solomon Island dollar (SBD)	7,075	7,071
United States dollar (USD)	40,376	61,859
Great British Pound (GBP)	1,467	1,800
Australian dollar	46,015	250,710
	94,933	321,440

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD) and United States dollar (USD). A 10% change in the SBD/A\$ and USD/A\$ exchange rates would give rise to a change of approximately \$4,892 (2015: \$7,073) in the Group net assets and reported earnings. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Company did not have any monetary assets and liabilities in currencies other than the company functional currency.

Credit Risk

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. At 30 June 2016, the Group had \$11,401 in cash accounts with Macquarie Bank Limited in Australia, \$22,679 in cash accounts with the ANZ Bank in Australia, \$16,466 in cash accounts with Westpac Bank in Australia, \$4,219 in cash accounts with the ANZ Bank in Honiara, Solomon Islands, \$34,182 in cash accounts with Banco Guayaquil in Ecuador, \$2,215 in cash accounts with Banco Pichincha and \$916 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was \$298,102 (2015: \$472,735).

The company is also exposed to credit risk due to the cash balances it holds directly. It is also exposed to credit risk on the loan balances it holds with its subsidiaries. At 30 June 2016, the company had \$17,199 in cash and cash equivalents and \$31,144,896 of intercompany loan balances receivable. The maximum exposure to credit risk at the reporting date was \$31,162,095.

Liquidity risks

The Group and Company raises funds as required on the basis of budgeted expenditure for the next 12 to 24 months, dependent on a number of prevailing factors. Funds are generally raised in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time. When funds are sought, the Group balances the costs and benefits of equity financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. The Group deals with banks with high credit ratings assigned by international credit rating agencies. Funds are provided to local sites weekly, based on the sites' forecast expenditure.

All liabilities held by the Group are contractually due and payable within 1 year.

Fair values

In the Directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments. The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in notes to the accounts.

All the Group's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 21 COMMITMENTS

The Group also has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

The combined commitments of the Group related to its granted tenement interests are as follows:

Location	Up to 12 Months	13 Months to 5 Years	Later than 5 Years
Ecuador	-	-	-
Solomon Islands	-	-	-
Queensland	622,400	205,500	-
	622,400	205,500	-

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm in agreements.

NOTE 22 RELATED PARTIES

(a) Group

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Transactions with Directors and Director-Related Entities

- (i) The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2016 \$150,000 was paid or payable to Samuel (2015: \$150,000). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$62,500 (2015: \$58,358).
- (ii) The Company has a long-standing commercial arrangement with DGR Global Ltd, an entity associated with Nicholas Mather (Director) and Brian Moller (Director), for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company shall reimburse DGR Global for any expenses incurred by it in providing the Services. For the year ended 30 June 2016 \$360,000 was paid or payable to DGR Global (2015: \$360,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$120,000 (2015: \$310,690).
- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm HopgoodGanim lawyers. For the year ended 30 June 2016, HopgoodGanim were paid \$66,263 (2015: \$128,681) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was \$66,263 (2015: \$74,704).
- (iv) On 20 November 2015, DGR Global Ltd agreed to provide short term funding to SolGold plc to provide working capital. Interest on the facility is charged at the rate of 9.5% per annum. The loan is repayable by SolGold plc on the earlier of any capital raising event, or 31 December 2016. DGR Global Ltd can, at its sole election, convert all or part of the loan, including accrued interest, into further equity as part of a SolGold plc capital raising, and at the same price as third party participants, subject to DGR Global Ltd and SolGold plc obtaining all necessary regulatory approvals. A new loan agreement was signed on 30 June 2016 revising the limit on the facility to \$7 million, all other conditions remained the same. On 29 August 2016, DGR Global Ltd converted \$5,700,000 of the debt funding provided to SolGold into SolGold shares in accordance with the terms of the loan arrangements announced to the market on 1 July 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 22 RELATED PARTIES (continued)

(a) Group (continued)

- (v) On 2 October 2015, DGR Global Ltd and Tenstar Trading Ltd agreed to provide short term funding to SolGold PLC to provide working capital. Interest on the facility was charged at 9.5% per annum. The loans were repayable by SolGold 12 months from the date of issue. DGR Global Ltd and Tenstar Trading Ltd could, at their sole election, convert all or part of the loan, including accrued interest, into further equity at either 1.75 pence (GBP) or a price equal to 80% of the VWAP of the shares' five days trading before the conversion notice. On 7 March 2016 DGR Global Ltd and Tenstar Trading Ltd converted \$2,295,218 of the debt funding derivative provided to SolGold. The conversion was at 3.67 (GBP) per share and generated a movement in fair value on derivative financial liabilities of \$1,378,260 which was expensed to the income statement in the year.

- b) Share and Option transactions of Directors are shown under Notes 5 and 19.

(b) Company

The Company has related party relationships with its subsidiaries (see Note 9), Directors and other key personnel (see Note 19).

All related party transactions are conducted at arm's length.

Subsidiaries

The Company has an investment in subsidiaries balance of \$40,132,827 (2015: \$30,729,182). The transactions during the year have been included in note 9. As the Company does not expect repayment of this amount and will not call payment until the subsidiary can adequately pay it out of working capital, this amount has been included in the carrying amount of the investment in the Parent Entity's statement of financial position.

(c) Controlling party

In the Directors' opinion there is no ultimate controlling party.

NOTE 23 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The key elements of the Statement of Financial Position that rely on the business judgment of the Directors as related to their carrying value include the capitalised exploration expenditure, and the business combination (also largely reflected in the consolidated carrying value of exploration expenditure).

The Directors have carried out an assessment of the carrying values of deferred exploration costs and any required impairment and is included in note 12.

NOTE 24 CONTINGENT ASSETS AND LIABILITIES

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US\$4 million. Fifty percent (50%) of the royalty can be purchased for US\$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US\$3 million 90 days following a production decision.

In the event Cornerstone Capital Resources Inc.'s (Cornerstone) equity interest in ENSA is diluted below 10%, Cornerstone's equity interest will be converted to a half of one percent (0.5%) interest in a Net Smelter Return and SolGold will have right to purchase the Net Smelter Return for US\$3.5 million at any time.

There are no other contingent assets and liabilities at 30 June 2016 (2015: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

NOTE 25 SUBSEQUENT EVENTS

On 26 August 2016, the Company issued an additional 268,819,004 shares at £0.06 to raise \$27.9 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 9 September 2016, Mr Scott A. Caldwell was appointed as a Non-Executive Director.

On 24 September 2016, 6,520,000 unlisted options (comprising 2,850,000 options exercisable at 14p, 2,850,000 options exercisable at 28p and 820,000 options exercisable at 50p) expired.

On 14 October 2016, the Company issued an additional 63,353,339 shares at £0.13 to raise \$13.4 million in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 142,896,661 shares at £0.13 to raise \$30.3 million in cash pursuant to a private placement to continue to fund the Group's exploration of its flagship Cascabel Copper Gold Porphyry Project, for general working capital purposes and ongoing corporate costs.

On 17 October 2016, the Company issued an additional 19,591,768 unlisted options to Maxit Capital. The options consist of two tranches of 9,795,884 options each exercisable at £0.14 and £0.28.

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

APPENDIX C

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2015

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are gold and mineral exploration in Ecuador, the Solomon Islands, and Queensland, Australia. Details of the Group's activities, together with a description of the principal risks and uncertainties facing the Group, and the development of the business, are given in the Strategic Report.

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW

A detailed review of the Group's business and future developments is set out in the Operations Report and Financial Review.

The principal risks and uncertainties facing the Group at its present stage of development are given under Risks and Uncertainties.

GOING CONCERN

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The Group and the Company have not generated revenues from operations. As such, the Group's and Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raising, it may not be able to fully develop its projects.

CURRENCY

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The presentational currency of the Group is Australian dollars ("A\$") and all amounts presented in the Directors' Report and financial statements are presented in Australian dollars unless otherwise indicated.

RESULTS

The Group's consolidated loss for the year was \$4,238,661 (2014: \$4,831,216).

CHANGES IN SHARE CAPITAL DURING 2015

A statement of changes in the share capital of the Company is set out in Note 17 to the financial statements.

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend (2014: nil).

FINANCIAL INSTRUMENTS

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's or Group's activities. The Company's financial instruments consist mainly of deposits with banks, accounts payable, and loans to subsidiaries. Further details of financial risk management objectives and policies, and exposure of the Group to financial risks are provided in Note 20 to the financial statements.

GOVERNANCE (continued)

DIRECTORS' REPORT

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the period were as follows:

Alan Martin	CEO & Managing Director (resigned as CEO and Managing Director 17 May 2015)
Nicholas Mather	Executive Director
Brian Moller	Non-Executive Chairman
Robert Weinberg	Non-Executive Director
John Bovard	Non-Executive Director

The Company has a Directors' and Officers' Liability insurance policy with Chartis Australia Insurance Limited for all its Directors.

The Directors who held office at the end of the financial year held direct and indirect interests in the ordinary shares and unlisted options of the Company as shown in the tables below.

Shares held	At 30 June 2015	At 30 June 2014
Nicholas Mather	85,519,570	65,519,569
Brian Moller	3,086,942	2,393,972
Robert Weinberg	3,118,484	2,304,971
John Bovard	3,858,812	3,307,553

There were 4,360,000 options issued to Directors during the year (2014: 16,000,000).

Share options held	At 30 June 2015	At 30 June 2014	Option Price	Exercise Period
Nicholas Mather	1,500,000	3,000,000	14p-28p	08/07/15 -08/07/17
Brian Moller	1,100,000	-	14p-28p	08/07/15 -08/07/17
Robert Weinberg	880,000	-	14p-28p	08/07/15 -08/07/17
John Bovard	880,000	-	14p-28p	08/07/15 -08/07/17

CORPORATE GOVERNANCE

In formulating the Company's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in the UK Corporate Governance 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 of Directors do not consider it necessary to adopt the Code in its entirety.

The Board of SolGold plc is made up of one Executive Director and three Non-executive Directors. Nicholas Mather is an Executive Director. 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 Group. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group'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. One third of the Directors 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.

The Audit Committee, which meets not less than twice a year, is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored as well as liaising with the Company's auditor to discuss the accounts and the Group's internal controls. The Committee is comprised of the entire Board of Directors. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

The Remuneration Committee meets at least once a year and is responsible for making decisions on Directors' and key management's remuneration packages. The Committee is comprised of the entire Board of Directors.

The remuneration of the non-executive Directors is determined by the executive Directors who consider 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 they believe that it is in the interests of shareholders that non-executive Directors should be provided with share options in addition to the level of fees considered affordable. On 8 July 2014, 4,360,000 options were issued or just under 0.57% of the current issued share capital, and in the opinion of the executive Director this is not of sufficient magnitude as to affect their independence.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time, in accordance with the AIM rules of the London Stock Exchange rules. The Company's principal communication with its investors is through the Annual General Meeting, the annual report and accounts, the interim statement and its website.

The 2015 Annual General Meeting will provide an opportunity for the Chairman and/or Chief Executive Officer to present to the shareholders a report on current operations and developments and will enable the shareholders to question and express their views about the Company's business. A separate resolution will be proposed on each substantially separate issue, including the receipt of the financial statements and shareholders will be entitled to vote either in person or by proxy.

A Health, Safety, Environment and Community Committee (HSEC Committee) is responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community in Ecuador, Solomon Islands and Queensland, the Committee is comprised of the entire Board of Directors.

EXECUTIVE REMUNERATION STRATEGY

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 will also have 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 share options.

RELATED PARTY TRANSACTIONS

Details of related party transactions for the Group and Company are given in note 22. Key management personnel remuneration disclosures are given in note 5.

DIRECTORS' INDEMNITY

The Company has arranged appropriate directors' and officers' insurance to indemnify the directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

AUDITOR

A resolution for the appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

On 2 October 2015, the Company executed Convertible Note Deeds with substantial shareholders, DGR Global Limited and Tenstar Trading Limited for a total funding of \$2,332,000.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2.39 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

The Directors are not aware of any other significant changes in the state of affairs of the Company after the reporting date that is not covered in this report.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DISCLOSURE OF AUDIT INFORMATION

In the case of each person who are Directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This report was approved by the board on 8 December 2015 and signed on its behalf.



Karl Schlobohm
Company Secretary
Lvl 27, 111 Eagle St
Brisbane QLD 4000
Australia

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLGOLD PLC

We have audited the financial statements of SolGold PLC for the year ended 30 June 2015 which comprise the group statement of financial position and company statement of financial position, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter — Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Directors acknowledge that additional funds need to be raised either through other finance arrangements or capital raisings. This cannot be guaranteed and there are no legally binding agreements in place relating to the raising of additional funds. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt on the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

*Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
8 December 2015*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	Group 2015 \$	Group 2014 \$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	50,504
Expenses			
Exploration costs written-off	12	(1,175,172)	(2,246,491)
Administrative		(3,066,982)	(2,652,356)
Operating loss		(4,242,154)	(4,848,343)
Finance income	6	10,570	18,185
Finance costs	6	(7,077)	(1,058)
Loss before tax	3	(4,238,661)	(4,831,216)
Tax expense	7	-	-
Loss for the year		(4,238,661)	(4,831,216)
Other comprehensive income			
<i>Items that may be reclassified into profit or loss</i>			
Change in fair value of available-for-sale financial assets	10b	(2,045,919)	1,703,620
Exchange differences on translation of foreign operations		1,159,075	72,158
Total comprehensive income for the year		(5,125,505)	(3,055,438)
Loss for the year attributable to:			
Owners of the parent company		(4,197,335)	(4,831,216)
Non-controlling interest		(41,326)	-
		(4,238,661)	(4,831,216)
Total comprehensive income for the year attributable to:			
Owners of the parent company		(5,258,040)	(3,055,438)
Non-controlling interest		132,535	-
		(5,125,505)	(3,055,438)
Loss per share		Cents per share	Cents per share
Basic loss per share	8	(0.6)	(0.8)
Diluted loss per share	8	(0.6)	(0.8)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

Registered Number 5449516

	Notes	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Assets					
Property, plant and equipment	11	419,898	133,742	11,118	16,801
Intangible assets	12	30,748,723	21,451,449	-	640,855
Investment in subsidiaries	9	-	-	30,379,601	21,941,839
Investment in available for sale securities	10(b)	896,197	2,942,116	894,192	2,942,116
Loans receivable and other non-current assets	13	159,433	169,353	7,169	7,169
Total non-current assets		32,224,251	24,696,660	31,292,080	25,548,780
Other receivables and prepayments	15	151,295	1,112,340	136,872	1,015,123
Cash and cash equivalents	16	321,440	4,547,229	215,312	4,159,071
Total current assets		472,735	5,659,569	352,184	5,174,194
Total assets		32,696,986	30,356,229	31,644,264	30,722,974
Equity					
Share capital	17	13,184,721	11,106,524	13,184,721	11,106,524
Share premium	17	82,212,310	78,434,985	82,212,310	78,434,985
Other reserves		1,761,936	2,763,046	772,428	2,758,752
Accumulated loss		(67,023,534)	(62,826,199)	(65,874,946)	(62,005,995)
Non-controlling interest		223,107	90,572	-	-
Total equity		30,358,540	29,568,928	30,294,513	30,294,266
Liabilities					
Trade and other payables	18	2,338,446	787,301	1,349,751	428,708
Total current liabilities		2,338,446	787,301	1,349,751	428,708
Total liabilities		2,338,446	787,301	1,349,751	428,708
Total equity and liabilities		32,696,986	30,356,229	31,644,264	30,722,974

The above consolidated and company statements of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 8 December 2015.



Nicholas Mather
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2015

Consolidated statement of changes in equity

Notes	Share capital	Share premium	Available-for-sale financial assets reserve	Share option reserve	Foreign Currency Translation Reserve	Change in proportionate interest reserve	Accumulated loss	Non-controlling interests	Total
	\$	\$	\$	\$	\$		\$	\$	\$
Balance at 30 June 2013	17 9,361,755	66,418,526	10,390	3,222,873	-	-	(60,209,103)	-	18,804,441
Loss for the year	-	-	-	-	-	-	(4,831,216)	-	(4,831,216)
Other comprehensive income	-	-	1,703,620	-	72,158	-	-	-	1,775,778
Total comprehensive income for the year	-	-	1,703,620	-	72,158	-	(4,831,216)	-	(3,055,438)
New share capital subscribed	1,732,825	12,595,988	-	-	-	-	-	-	14,328,813
Share issue costs	-	(722,860)	-	-	-	-	-	-	(722,860)
Value of share and options issued to Directors, employees and consultants	-	-	-	35,989	-	-	-	-	35,989
Value of share options forfeited during the year	-	-	-	(2,214,120)	-	-	2,214,120	-	-
Value of bonus shares issued to employees	11,944	143,331	-	-	-	-	-	-	155,275
Non-controlling interest in subsidiary acquired	-	-	-	-	-	(67,864)	-	90,572	22,708
Balance at 30 June 2014	17 11,106,524	78,434,985	1,714,010	1,044,742	72,158	(67,864)	(62,826,199)	90,572	29,568,928
Loss for the year	-	-	-	-	-	-	(4,197,335)	(41,326)	(4,238,661)
Other comprehensive income	-	-	(2,045,919)	-	985,214	-	-	173,861	(886,844)
Total comprehensive income for the year	-	-	(2,045,919)	-	985,214	-	(4,197,335)	132,535	(5,125,505)
New share capital subscribed	2,078,197	4,156,344	-	-	-	-	-	-	6,234,541
Share issue costs	-	(379,019)	-	-	-	-	-	-	(379,019)
Value of share and options issued to Directors, employees and consultants	-	-	-	59,595	-	-	-	-	59,595
Balance at 30 June 2015	13,184,721	82,212,310	(331,909)	1,104,337	1,057,372	(67,864)	(67,023,534)	223,107	30,358,540

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
For the year ended 30 June 2015

Company statement of changes in equity

	Notes	Share capital \$	Share premium \$	Available-for-sale financial assets \$	Share option reserve \$	Accumulated loss \$	Total \$
Balance at 30 June 2013	17	9,361,755	66,418,526	10,390	3,222,873	(59,610,996)	19,402,548
Loss for the year		-	-	-	-	(4,609,119)	(4,609,119)
Other comprehensive income		-	-	1,703,620	-	-	1,703,620
Total comprehensive income for the year		-	-	1,703,620	-	(4,609,119)	(2,905,499)
New share capital subscribed		1,732,825	12,595,988	-	-	-	14,328,813
Share issue costs		-	(722,860)	-	-	-	(722,860)
Value of shares and options issued to Directors, employees and consultants		-	-	-	35,989	-	35,989
Value of share options forfeited during the year		-	-	-	(2,214,120)	2,214,120	-
Value of bonus shares issued to employees		11,944	143,331	-	-	-	155,275
Balance at 30 June 2014	17	11,106,524	78,434,985	1,714,010	1,044,742	(62,005,995)	30,294,266
Loss for the year		-	-	-	-	(3,868,951)	(3,868,951)
Other comprehensive income		-	-	(2,045,919)	-	-	(2,045,919)
Total comprehensive income for the year		-	-	(2,045,919)	-	(3,868,951)	(5,914,870)
New share capital subscribed		2,078,197	4,156,344	-	-	-	6,234,541
Share issue costs		-	(379,019)	-	-	-	(379,019)
Value of shares and options issued to Directors, employees and consultants		-	-	-	59,595	-	59,595
Balance at 30 June 2015		13,184,721	82,212,310	(331,909)	1,104,337	(65,874,946)	30,294,513

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 30 June 2015

	Notes	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Cash flows from operating activities					
Operating loss		(4,242,154)	(4,848,343)	(3,871,748)	(4,625,649)
Depreciation		18,378	35,025	9,573	10,254
Share based payment expense		59,595	191,264	59,595	191,264
Write-off of exploration expenditure		1,175,172	2,246,491	674,815	-
(Profit) loss on sale of property, plant and equipment		(888)	(50,504)	-	-
Impairment of investments in subsidiaries		-	-	349,581	2,045,216
(Increase) decrease in other receivables and prepayments		961,045	(801,252)	878,250	(742,377)
Increase (decrease) in trade and other payables		80,792	803,470	(284,748)	741,150
Net cash outflow from operating activities		(1,948,060)	(2,423,849)	(2,184,682)	(2,380,142)
Cash flows from investing activities					
Interest received		10,570	18,185	9,873	16,531
Interest paid		(7,077)	(1,058)	(7,076)	(1,052)
Security deposit (payments)/refunds		4,346	(4,622)	-	(1,600)
Acquisition of property, plant and equipment		(439,333)	(102,575)	(3,890)	(4,355)
Proceeds from the sale of property, plant and equipment		134,801	157,863	-	-
Acquisition of exploration and evaluation assets		(8,485,005)	(5,825,393)	(19,496)	(398,347)
Acquisition of subsidiaries (net of cash)	23	-	13,901	-	-
Investment in available for sale securities		-	(779,982)	-	(779,982)
Investment in associates		-	-	-	-
Loans advanced to third parties		-	-	-	-
Loans advanced to subsidiaries		-	-	(8,242,457)	(5,756,661)
Net cash outflow from investing activities		(8,781,698)	(6,523,681)	(8,263,046)	(6,925,466)
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		6,877,414	13,360,770	6,877,414	13,360,770
Payment of issue costs		(373,445)	(722,859)	(373,445)	(722,859)
Repayment of borrowings		-	(23,576)	-	-
Net cash inflow from financing activities		6,503,969	12,614,335	6,503,969	12,637,911
Net (decrease) in cash and cash equivalents		(4,225,789)	3,666,805	(3,943,759)	3,332,303
Cash and cash equivalents at the beginning of year		4,547,229	880,424	4,159,071	826,768
Cash and cash equivalents at end of year	16	321,440	4,547,229	215,312	4,159,071

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES

The Company is a public limited company incorporated in England and Wales and is listed on the AIM market of the London Stock Exchange.

(a) Statement of compliance

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have been applied consistently throughout these consolidated financial statements.

(b) Basis of preparation of financial statements and going concern

The consolidated financial statements are presented in Australian dollars ("A\$"), rounded to the nearest dollar.

The Company was incorporated on 11 May 2005. The Group from incorporation has prepared the annual consolidated financial statements in accordance with IFRS. A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. At the reporting date, the Group had a net working capital deficit position of \$1,865,711, compared with a net current asset position in 2014 of \$4,872,268. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

Subsequent to the end of the year, the Company has continued its drilling operations at its Cascabel project and has incurred approximately \$1.2 million in exploration and evaluation expenditure to 31 October 2015. In order to fund this exploration and evaluation expenditure along with the net current asset deficit, the Company raised \$2.33 million through the execution of convertible note deeds and a further \$2.39 million through the issue of 62,263,534 shares at £0.015 which was a combination of cash and debt conversions.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through other finance arrangements or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income where applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (continued)

(d) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated into Australian dollars at the foreign exchange rate ruling at that date. Any resultant foreign exchange currency translation amount is taken to the profit and loss.

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in the Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The assets and liabilities of the entities are translated to the group presentation currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average rates for the period. Any exchange differences are taken directly to reserves. On disposal of an entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale.

The Company's functional and presentation currency is Australian dollars (A\$). The exchange rates applied in preparation of these financial statements at 30 June 2015 were £0.4872/A\$1.0, US\$0.76575/A\$1.0 and SBD\$6.0205/A\$1.0 (30 June 2014: £0.5544/A\$1.0, US\$0.9439/A\$1.0 and SBD\$6.9001/A\$1.0). The average exchange rates applied for the year ended 30 June 2015 was US\$0.84034/A\$1.0 (2014: US\$0.9143/A\$1.0).

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives of all categories of assets are:

Office Equipment	3 years
Furniture and Fittings	5 years
Motor Vehicles	5 years
Plant and Equipment	5 years
Land and Buildings	12 years

The residual values and useful lives are assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Deferred exploration costs

Costs incurred in relation to the acquisition of, or application for, a tenement area are capitalised where there is a reasonable expectation that the tenement will be acquired or granted. Where the Group is unsuccessful in acquiring or being granted a tenement area, any such costs are immediately expensed.

All other costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

(g) Loans receivables, other receivables and prepayments

Other receivables and prepayments are not interest bearing and are stated at their nominal amount less provision for impairment.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

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

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

(j) Share capital

The Company's ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(k) Employee benefits

(i) Share based payment transactions

The Group 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 share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share based payment transactions are disclosed in Note 19.

(ii) Retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the statement of comprehensive income.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(m) Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value. The effect of discounting is immaterial.

(n) Revenue

During the exploration phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(o) Other income

Other income is recognised in the statement of comprehensive income as it accrues.

(p) Financing costs and income

(i) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

(ii) Finance income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(q) Taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(r) Segment reporting

The Group determines and presents operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results and asset position are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities.

(s) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings on acquisition are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(t) Project Financing / Farm-outs

The Group, from time to time, enters into funding arrangements with third parties in order to progress specific projects. The Group accounts for the related exploration costs in line with the terms of the specific agreement. Costs incurred by SolGold plc are recognised as intangible assets within the financial statements. Costs incurred by third parties are not recognised by SolGold plc.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

(v) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. These assets are measured at fair value with gains or losses recognised in the profit or loss.

(iii) *Available-for-sale financial assets*

Available-for-sale financial assets comprise investments in listed and unlisted entities and non-derivatives that are either designated in this category or not classified in any other categories. After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income.

(iv) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, where appropriate, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(v) Financial Instruments (continued)

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined from available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral. Impairment losses are recognised in the profit or loss.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through profit or loss. When a subsequent event reduces the impairment of an available for sale equity instrument the fair value increased is recognised in other comprehensive income.

(w) Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:

(i) Company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company has not been separately presented in these financial statements. The Company's loss for the year was \$3,868,951 (2014: \$4,609,119).

(ii) Subsidiary investments

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, for assets that could be capitalised in accordance with IFRS 6, is recorded within investments in subsidiary undertakings.

(x) Nature and purpose of reserves

(i) Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Share option reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised.
- the grant date fair value of shares issued to employees.

(iii) Change in proportionate interest reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(y) Changes in accounting policies

The Group has applied all of the new standards and amendments applicable for the annual reporting period commencing 1 July 2014:

Standards and interpretations effective and adopted in the current year

The following standards, interpretations and amendments became effective during the year and were adopted by the Group and Company. These have no material effect on the Group or Company.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The IFRS supersedes IAS 27 <i>Consolidated and Separate Financial Statements</i> and SIC-12 <i>Consolidation—Special Purpose Entities</i> .	1 January 2014
IFRS 11 Joint Arrangements	The IFRS supersedes IAS 31 <i>Interests in Joint Ventures</i> and SIC-13 <i>Jointly Controlled Entities—Non-Monetary Contributions by Venturers</i> . Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the major factor in determining the type of joint arrangement and therefore the subsequent accounting	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 <i>Disclosure of Interests in Other Entities</i> applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.	1 January 2014
IAS 27 Separate Financial Statements	IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. IFRS 10 <i>Consolidated Financial Statements</i> addresses the principle of control and the requirements relating to the preparation of consolidated financial statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.	1 January 2014
IAS 32 Offsetting Financial Assets and Financial liabilities	The amendments clarify when an entity can offset financial assets and financial liabilities.	1 January 2014
IAS 36 Recoverable Amounts (amendments)	The amendments reverse the unintended requirement in IFRS 13 <i>Fair Value Measurement</i> to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.	1 January 2014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 1 ACCOUNTING POLICIES (Continued)

(y) Changes in accounting policies (continued)

Standards and interpretations effective and adopted in the current year (Continued)

Standards	Details of amendment	Annual periods beginning on or after
Annual improvements to IFRS 1 (2010 -2012 and 2011 – 2013 cycles)	Clarifications as provided on various standards within the cycles have been considered in preparation of the current year financial statements.	1 July 2014
IFRIC 21 Levies	IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets for the entity that is paying the levy.	1 January 2014

International Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2015. The impact of the adoption of these new standards and interpretations is yet to be assessed by the Group.

The Company anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

- IFRS 9 'Financial Instruments'; and
- IFRS 15 'Revenue from contracts with customers'.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 2 SEGMENT REPORTING

The group determines and separately reports operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors along company lines. That is, the financial position of SolGold and each of its subsidiary companies is reported discretely, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below. The financial information of the subsidiaries that do not exceed the thresholds outlined above, and is therefore not reported separately, is aggregated as Other Subsidiaries.

30 June 2015	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	9,873	9,873	(3,868,951)	31,993,846	1,349,750	59,595	9,573
ARM	186	186	(389,634)	320,139	32,904,421	-	2,455
Central Minerals	10	10	12,077	3,670,423	13,186,119	-	1,166
Acapulco Mining	500	500	(130,957)	5,812,595	3,767,823	-	5,185
Solomon Operations	-	-	71,510	4	9,948	-	-
Honiara Holdings	-	-	(2,337)	-	957,562	-	-
Guadalcanal Exploration	-	-	(4,442)	2,338	1,217,372	-	-
ENSA	-	-	(275,500)	15,975,498	10,431,634	-	-
Consolidation / Elimination	-	-	349,573	(25,077,858)	(61,486,183)	-	-
Total	10,570	10,570	(4,238,661)	32,696,985	2,338,446	59,595	18,378

30 June 2014	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	16,531	16,531	(4,609,118)	30,722,975	428,708	191,264	10,254
ARM	206	50,710	(990,430)	527,746	32,722,393	-	13,064
Central Minerals	8	8	(41,084)	3,676,099	13,203,872	-	2,262
Acapulco Mining	636	636	(49,427)	5,934,325	3,758,596	-	5,183
Solomon Operations	-	-	(29,746)	12	81,457	-	-
Honiara Holdings	-	-	(2,141)	2,051	957,276	-	-
Guadalcanal Exploration	-	-	(1,151,902)	5,294	1,215,894	-	-
Consolidation / Elimination	803	803	(2,215)	3,536,328	2,751,652	-	4,261
Total	-	-	2,044,846	(14,048,601)	(54,332,547)	-	-
	18,185	68,689	(4,831,216)	30,356,229	787,301	191,264	35,025

Geographical information

Non-current assets	2015 \$	2014 \$
UK	-	-
Australia	16,318,251	18,170,684
Solomon Islands	-	506,145
Ecuador	15,905,748	6,019,831

The Group had no revenue during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 3 LOSS BEFORE TAX

	Group 2015 \$	Group 2014 \$
Loss is stated after charging (crediting)		
Auditors' remuneration:		
<i>Amounts received or due and receivable by BDO (UK) for:</i>		
The audit of the company's annual accounts	36,900	30,325
<i>Amounts received or due and receivable by related practices of BDO (UK) for:</i>		
The audit of the company's annual accounts	34,910	24,675
Depreciation	18,378	35,025
Foreign exchange (gains)/losses	(122,623)	29,764
Share based payments	59,595	191,264

NOTE 4 STAFF NUMBERS AND COSTS

	Group 2015	Group 2014	Company 2015	Company 2014
Corporate finance and administration	11	10	7	7
Technical	100	120	2	4
	111	130	9	11

The aggregate payroll costs of these persons were as follows:

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Wages and salaries	2,763,284	1,767,688	765,229	1,166,680
Contributions to superannuation	215,228	173,094	58,171	62,804
Share based payments	17,534	191,264	17,534	191,264
Total staff costs	2,996,046	2,132,046	840,934	1,420,748

Included within total staff costs is \$1,977,592 (2014: \$1,442,712) which has been capitalised as part of deferred exploration costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary \$	Other Benefits ¹ \$	Pensions \$	Total Remuneration \$
2015				
Directors				
Alan Martin	444,849 ¹	-	28,011	472,860
Nicholas Mather	150,000	18,423	-	168,423
Brian Moller	50,000	13,526	-	63,526
Robert Weinberg	50,000	10,542	-	60,542
John Bovard	50,000	10,542	-	60,542
Staff and contractors	2,318,435	-	157,057	2,475,492
TOTAL	3,063,284	53,033	185,068	3,301,385

¹ Includes the following payments: Termination payment - \$150,000, annual leave payout - \$2,228, bonus - \$50,000, superannuation - \$27,274

	Basic Annual Salary \$	Other Benefits ¹ \$	Pensions \$	Total Remuneration \$
2014				
Directors				
Alan Martin	289,808	24,434	25,778	340,020
Nicholas Mather	153,750	81,486	-	235,236
Brian Moller	47,083	-	-	47,083
Robert Weinberg	47,083	-	-	47,083
John Bovard	47,083	-	-	47,083
Staff and contractors	680,138	75,689	24,476	780,303
TOTAL	1,264,946	181,609	50,255	1,496,810

¹ Share based payments issued.

During the year no directors exercised options granted under the employee share option plan (2014: nil).

During the year, employer's social security costs of \$28,011 (2014: \$25,778) were paid in respect of remuneration for key management personnel. Alan Martin (CEO and Managing Director - resigned 17 May 2015) and Nicholas Mather (Executive Director) are considered to be key management personnel.

NOTE 6 FINANCE INCOME AND COSTS

	Group 2015 \$	Group 2014 \$
Interest income	10,570	18,185
Finance income	10,570	18,185
Interest cost	(7,077)	(1,058)
Finance costs	(7,077)	(1,058)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 7 TAX EXPENSE

Factors affecting the tax charge for the current year

The tax credit for the period is lower than the credit resulting from the application of the standard rate of corporation tax in Australia of 30% (2014: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	Group 2015 \$	Group 2014 \$
Tax reconciliation		
Loss before tax	(4,238,661)	(4,831,216)
Tax at 30% (2014: 30%)	(1,271,598)	(1,449,365)
Effects at 30% (2014: 30%) of:		
Short term temporary differences	179,781	437,746
Non-deductible expenses	135,986	70,371
Tax losses carried forward	955,831	941,248
Tax on loss	-	-

Factors that may affect future tax charges

The Group has carried forward tax losses of approximately \$45 million (2014: \$42 million). These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group company of various tax integrity measures applicable in the jurisdiction where the tax loss has been incurred. The jurisdictions in which tax losses have been incurred include Australia, Ecuador and the Solomon Islands.

NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of \$4,238,661 (2014: \$4,831,216) and the weighted average number of ordinary shares outstanding of 686,978,658 (2014: 605,395,853).

There is no difference between the diluted loss per share and the basic loss per share presented as the share options on issue during the period and prior period were not considered dilutive. At 30 June 2015 there were 21,380,000 share options on issue (2014: 33,920,000).

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	SolGold plc's effective interest	
			2015	2014
Australian Resources Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%	100%
Central Minerals Pty Ltd	Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%
Honiara Holdings Pty Ltd	Australia	Exploration	100%	100%
Guadalcanal Exploration Pty Ltd	Australia	Exploration	100%	100%
Exploraciones Novomining S.A.	Ecuador	Exploration	85%	85%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

	Investment in subsidiary undertakings		
	Shares \$	Loans \$	Total \$
Cost			
Balance at 30 June 2013	11,135,657	51,188,061	62,323,718
Acquisitions and advances in the year	2,869,222	5,756,660	8,625,882
Balance at 30 June 2014	14,004,879	56,944,721	70,949,600
Acquisitions and advances in the year	-	8,787,343	8,787,343
Balance at 30 June 2015	14,004,879	65,732,064	79,736,943
Amortisation and impairment losses			
Balance at 30 June 2013	(5,016,948)	(41,945,593)	(46,962,541)
Provision for impairment	-	(2,045,220)	(2,045,220)
Balance at 30 June 2014	(5,016,948)	(43,990,813)	(49,007,761)
Provision for impairment	-	-	-
Balance at 30 June 2015	(5,016,948)	(43,990,813)	(49,007,761)
Carrying amounts			
Balance at 30 June 2013	6,118,709	9,242,468	15,361,177
Balance at 30 June 2014	8,987,931	12,953,908	21,941,839
Balance at 30 June 2015	8,987,931	21,741,251	30,729,182

The write-down of the deferred exploration costs during the prior year associated with certain projects in Queensland and the Solomon Islands lead to the Company recording a provision for impairment of \$2,045,220 on the loans receivable from Australian Resource Management (ARM) Pty Ltd, Central Minerals Pty Ltd and Guadalcanal Exploration Pty Ltd.

Details of all loans within the group made during the year are set out below:

	Shares \$	Loans \$	Total \$
Cost			
Total investment in subsidiaries by the Company at 30 June 2013	11,135,657	51,188,061	62,323,718
Advances in the period from SolGold plc to ARM Pty Ltd	-	26,346	26,346
Advances in the period from SolGold plc to Acapulco Mining Pty Ltd	-	138,861	138,861
Advances in the period from SolGold plc to Central Minerals Pty Ltd	-	160,718	160,718
Advances during the period to Honiara Holdings Pty Ltd	-	471	471
Advances during the period to Guadalcanal Exploration Pty Ltd	-	31,108	31,108
Transfer from investments accounted for using the equity method	2,769,647	-	2,769,647
Acquisition and advances during the period to Exploraciones Novomining S.A.	99,575	5,399,156	5,498,731
Total investment in subsidiaries by the Company at 30 June 2014	14,004,879	56,944,721	70,949,600
Advances in the period to ARM Pty Ltd	-	194,967	194,967
Advances in the period to Acapulco Mining Pty Ltd	-	12,085	12,085
Repayments in the period from Central Minerals Pty Ltd	-	(18,389)	(18,389)
Advances during the period to Honiara Holdings Pty Ltd	-	1,048	1,048
Advances during the period to Guadalcanal Exploration Pty Ltd	-	1,863	1,863
Advances during the period to Exploraciones Novomining S.A.	-	8,595,769	8,595,769
Total investment in subsidiaries by the Company at 30 June 2015	14,004,879	65,732,064	79,736,943

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 10 INVESTMENTS

(a) Investments accounted for using the equity method

Name	Country of incorporation	Principal Activity	Shares	Ownership Interest		Carrying Amount	
				2015 %	2014 %	2015 \$	2014 \$
Exploraciones Novomining S.A.	Ecuador	Mineral Exploration	ORD	85%	85%	-	-
						-	-

(i) Movements during the year in equity accounted investments

	2015 \$	2014 \$
Balance at beginning of year	-	2,769,647
Carrying value of investment on transfer of intangible assets	-	-
Fair value of investment on initial recognition	-	-
Share of associates profits after income tax	-	-
Carrying value of investment transferred to investments in subsidiaries	-	(2,769,647)
Balance at end of year	-	-

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and subsequently to 85% and as a result changed its accounting treatment from an investment accounted for using the equity method to an investment in a subsidiary (see Note 24).

On 24 February 2014, SolGold further increased its interest in Exploraciones Novomining S.A. from 50% to 85%.

(b) Investments accounted for as available for sale assets

	2015 \$	2014 \$
Movements in available for sale financial assets		
Opening balance at 1 July	2,942,116	458,510
Additions	-	779,986
Fair Value adjustment through other comprehensive income	(2,045,919)	1,703,620
	896,197	2,942,116

Available for sale financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc., listed on the Toronto Stock Exchange ("TSX") and an investment in the ordinary issued capital of Aus Tin Mining Ltd, a company listed on the Australian Securities Exchange.

(c) Fair value

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The fair values of financial assets and financial liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 10 INVESTMENTS (continued)

The following table represents the Group's financial assets and liabilities measured and recognised at fair value.

	\$ Level 1	\$ Level 2	\$ Level 3	\$ Total
2015				
Available for sale financial assets	896,197	-	-	896,197
2014				
Available for sale financial assets	2,942,116	-	-	2,942,116

The available for sale financial assets are measured based on the quoted market prices at 30 June.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$	Plant and Equipment \$	Motor Vehicles \$	Office Equipment \$	Furniture & Fittings \$	Total \$	Company \$
Cost							
Balance 30 June 2013	208,144	98,489	120,515	75,432	21,173	523,753	49,934
Additions – business combinations	-	1,710	24,444	3,977	1,371	31,502	-
Additions – other	-	50,653	-	35,809	16,110	102,572	4,355
Disposals	(208,144)	-	(43,406)	-	-	(251,550)	-
Balance 30 June 2014	-	150,852	101,553	115,218	38,654	406,276	54,289
Effect of foreign exchange on opening balance	-	12,047	5,624	8,618	3,556	29,845	-
Additions	-	119,708	294,470	28,139	20,474	462,791	3,890
Disposals	-	-	(134,802)	-	(2,338)	(137,140)	-
Balance 30 June 2015	-	282,607	266,845	151,975	60,346	761,772	58,179
Depreciation and impairment losses							
Balance 30 June 2013	(110,903)	(79,996)	(83,795)	(65,690)	(16,240)	(356,624)	(27,234)
Depreciation – business combinations	-	(253)	(24,444)	(312)	(68)	(25,077)	-
Depreciation charge for the year	(10,217)	(10,014)	(5,818)	(7,659)	(1,317)	(35,025)	(10,254)
Disposals	121,120	-	23,071	-	-	144,191	-
Balance 30 June 2014	-	(90,263)	(90,986)	(73,661)	(17,625)	(272,535)	(37,488)
Effect of foreign exchange on opening balance	-	(706)	(5,624)	(444)	(16)	(6,790)	-
Depreciation charge for the year	-	(6,696)	(5,082)	(4,686)	(1,697)	(18,161)	(9,573)
Depreciation capitalised to exploration	-	(28,940)	(29,854)	(22,140)	(4,093)	(85,026)	-
Disposals	-	-	40,541	-	97	40,639	-
Balance 30 June 2015	-	(126,605)	(91,005)	(100,931)	(23,334)	(341,873)	(47,061)
Carrying amounts							
At 30 June 2013	97,241	18,493	36,720	9,742	4,933	167,130	22,700
At 30 June 2014	-	60,589	10,567	41,557	21,029	133,742	16,801
At 30 June 2015	-	156,002	175,840	51,044	37,012	419,898	11,118

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 12 INTANGIBLE ASSETS

	Deferred Group exploration costs \$	Deferred Company exploration costs \$
Cost		
Balance 30 June 2013	61,331,717	29,209
Additions – expenditure	6,022,676	611,648
Additions – business combinations	3,097,086	-
Balance 30 June 2014	70,451,479	640,857
Additions – expenditure	10,472,446	33,533
Balance 30 June 2015	80,923,925	674,390
Impairment losses		
Balance 30 June 2013	(46,753,539)	-
Impairment charge	(2,246,491)	-
Balance 30 June 2014	(49,000,030)	-
Impairment charge	(1,175,172)	(674,390)
Balance 30 June 2015	(50,175,202)	-
Carrying amounts		
At 30 June 2013	14,578,178	29,209
At 30 June 2014	21,451,449	640,857
At 30 June 2015	30,748,723	-

Impairment loss

The Group did not consider it necessary to make a provision for impairment during the year (2014: \$2,177,290). A decision was made to expense \$1,175,172 (2014: \$69,201) for exploration expenditure associated with other tenements that were dropped during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in Note 24.

NOTE 13 LOAN RECEIVABLES AND OTHER NONCURRENT ASSETS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Security bonds	159,433	169,353	7,169	7,169
	159,433	169,353	7,169	7,169

Security bonds relate to cash security held against office premises, Lvl 27, 111 Eagle St, Brisbane, Queensland Australia, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 14 DEFERRED TAXATION

Recognised deferred tax assets

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Deferred tax assets:				
Tax losses	3,753,665	3,773,166	-	-
Deferred tax liabilities:				
Temporary timing differences arising on intangible assets	(3,753,665)	(3,773,166)	-	-
Net deferred taxes	-	-	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following amounts. Deferred tax has been calculated at the expected future rate of corporation tax of 30%.

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Temporary differences	12,712,206	11,967,721	-	-
Tax losses	10,175,920	9,829,794	9,934,125	9,200,901
	22,888,126	21,797,515	9,934,125	9,200,901

The deferred tax asset in respect of these items has not been recognised as future taxable profit is not anticipated within the foreseeable future.

NOTE 15 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Other receivables	151,295	1,099,840	136,873	1,002,623
Prepayments	-	12,500	-	12,500
	151,295	1,112,340	136,873	1,015,123

NOTE 16 CASH AND CASH EQUIVALENTS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Cash at bank	321,440	4,547,229	215,312	4,159,071
Cash and cash equivalents in the statement of cash flows	321,440	4,547,229	215,312	4,159,071

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 17 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2014 No. of Shares	2014 Nominal Value £
At 1 July 2013 – Ordinary shares	620,000,000	6,200,000
Increase in authorised share capital of £0.01 each on 8 July 2014	200,000,000	2,000,000
At 30 June 2014 – Ordinary shares	820,000,000	8,200,000

	2015 No. of Shares	2015 Nominal Value £
At 1 July 2014 – Ordinary shares	820,000,000	8,200,000
Increase in authorised share capital of £0.01 each on 23 January 2015	200,000,000	2,000,000
At 30 June 2015 – Ordinary shares	1,020,000,000	10,200,000

(b) Changes in Issued Share Capital and Share Premium

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 2013	553,354,342	9,361,755	66,418,526	75,780,281
Shares issued at £0.13 – bonus shares issued 6 September 2013	700,000	11,944	143,331	155,275
Shares issued at £0.075 – placement 24 September 2013	49,840,967	856,815	5,569,301	6,426,116
Shares issue costs charged to share premium account	-	-	(322,506)	(322,506)
Shares issued at £0.11 – Cornerstone Capital Resources Inc. shares as part consideration for SolGold moving to 85% ownership of Exploraciones Novomining S.A.	488,560	8,996	90,579	99,575
Shares issued at £0.09 – placement 24 March 2014	47,769,333	867,014	6,936,107	7,803,121
Shares issue costs charged to share premium account	-	-	(400,353)	(400,353)
Ordinary shares of 1p at 30 June 2014	652,153,202	11,106,524	78,434,985	89,541,509

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 14	652,153,202	11,106,524	78,434,985	89,541,509
Shares issued at £0.03 – Placement 17 December 2014	33,591,828	633,842	1,267,633	1,901,475
Share issue costs charged to share premium account	-	-	(85,191)	(85,191)
Shares issued at £0.03 – Open offer 9 April 2015	74,708,041	1,444,355	2,888,711	4,333,066
Share issue costs charged to share premium account	-	-	(293,828)	(293,828)
Ordinary shares of 1p at 30 June 2015	760,453,071	13,184,721	82,212,310	95,397,031

Potential issues of ordinary shares

At 30 June 2015 the Company had 21,380,000 options outstanding for the issue of ordinary shares (2014: 33,920,000), as follows:

Options

Share options are granted to employees under the company's Employee Share Option Plan ("ESOP"). The employee share option plan is designed to align participants' interests with those of shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 17 CAPITAL AND RESERVES (continued)

Options (continued)

Unless otherwise documented with the Company, when a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately. The Company prohibits key management personnel from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2015
10 May 2013*	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	6 September 2017	£0.14	3,000,000	3,000,000
15 July 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	15 July 2016	£0.14	1,250,000	1,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	15 July 2016	£0.28	2,250,000	2,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	15 July 2016	£0.50	4,000,000	4,000,000
24 September 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	24 September 2016	£0.14	3,250,000	2,850,000
24 September 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	24 September 2016	£0.28	3,250,000	2,850,000
24 September 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	24 September 2016	£0.50	820,000	820,000
8 July 2014	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	8 July 2017	£0.14	2,180,000	2,180,000
8 July 2014	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	8 July 2017	£0.28	2,180,000	2,180,000
				22,180,000	21,380,000

*The options were granted for accounting purposes on 10 May 2013, approved at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

Warrants

There were no warrants outstanding as at 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 17 CAPITAL AND RESERVES (continued)

Share options issued

On 15 July 2013, the company entered into an agreement to grant 7,500,000 unlisted options to Chief Geologist, Bruce Rohrlach. The options have a life of 3 years. The terms of the share options are as follows:

- 1.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 2.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 4 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 24 September 2013, the company entered into an agreement to grant 7,320,000 unlisted options to certain employees, under its employee share option plan. The options have a life of 3 years. The terms of the share options are as follows:

- 3.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 3.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 0.82 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 8 July 2014, the company entered into an agreement to grant 4,360,000 unlisted options to the Board of Directors. The options have a life of 3 years. The terms of the share options are as follows:

- 2.18 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 2.18 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and

Refer to note 19 for further details.

Dividends

The Directors do not recommend the payment of a dividend (2014: nil).

Capital Management

Given the nature of the group's current activities the entity will remain dependant on equity funding in the short to medium term until such time as the group becomes self-financing from the commercial production of mineral resources.

NOTE 18 TRADE AND OTHER CURRENT PAYABLES

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Current				
Trade payables	1,065,617	291,409	1,000,066	260,817
Other payables	326,689	413,434	68,019	85,433
Accrued expenses	946,140	82,458	281,666	82,458
	2,338,446	787,301	1,349,751	428,708

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 19 EMPLOYEE BENEFITS

Share-based payments

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2014	Number of options 2014
Outstanding at the beginning of the year	£0.34	30,920,000	£0.37	25,372,000
Lapsed during the year	£0.41	(13,900,000)	£0.47	(9,272,000)
Granted during the year	£0.21	4,360,000	£0.31	14,820,000
Exercised during the year	-	-	-	-
Outstanding at the end of the year	£0.27	21,380,000	£0.34	30,920,000
Exercisable at the end of the year	-	-	-	-

The options outstanding at 30 June 2015 have an exercise price of £0.14 - £0.50 (2014: £0.14 - £0.50) and a weighted average contractual life of 1.46 years (2014: 2.42 years).

Share options held by Directors are as follows:

Share options held	At 30 June 2015	At 30 June 2014	Option Price	Exercise Period
Alan Martin¹	-	3,000,000	14p	19/08/13 – 19/08/17
	-	5,000,000	28p	19/08/13 – 19/08/17
	-	8,000,000	50p	19/08/13 – 19/08/17
Nicholas Mather	-	3,000,000	6p	19/08/13 – 19/08/14
	750,000	-	14p	08/07/14 – 08/07/17
	750,000	-	28p	08/07/14 – 08/07/17
Brian Moller	550,000	-	14p	08/07/14 – 08/07/17
	550,000	-	28p	08/07/14 – 08/07/17
Robert Weinberg	440,000	-	14p	08/07/14 – 08/07/17
	440,000	-	28p	08/07/14 – 08/07/17
John Bovard	440,000	-	14p	08/07/14 – 08/07/17
	440,000	-	28p	08/07/14 – 08/07/17

¹ Alan Martin resigned as CEO and Managing Director 17 May 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 19 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

The total number of options outstanding at year end is as follows:

Share options held at 30 June 2015	Share options held at 30 June 2014	Option price	Exercise periods
-	250,000	£0.14	28/06/13 – 28/06/15
-	250,000	£0.28	28/06/13 – 28/06/15
-	3,000,000	£0.06	6/09/13 – 19/08/14
3,000,000	3,000,000	£0.14	Vesting from 30 day VWAP of 20p to 06/09/2017
-	5,000,000	£0.28	Vesting from 30 day VWAP of 40p to 06/09/2017
-	8,000,000	£0.50	Vesting from 30 day VWAP of 80p to 6/09/2017
1,250,000	1,250,000	£0.14	Vesting from 30 day VWAP of 20p to 15/07/2016
2,250,000	2,250,000	£0.28	Vesting from 30 Day VWAP of 40p to 15/07/2016
4,000,000	4,000,000	£0.50	Vesting from 30 Day VWAP of 80p to 15/07/2016
2,850,000	3,050,000	£0.14	Vesting from 30 Day VWAP of 20p to 24/09/2016
2,850,000	3,050,000	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
820,000	820,000	£0.50	Vesting from 30 Day VWAP of 80p to 24/09/2016
2,180,000	-	£0.14	Vesting from 30 Day VWAP of 20p to 08/07/2017
2,180,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
21,380,000	33,920,000		

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. This estimate is based on either a Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

Fair value of share options and assumptions	2014					
	£0.50 Options 15 July 2013	£0.28 Options 15 July 2013	£0.14 Options 15 July 2013	£0.50 Options 24 Sept 2013	£0.28 Options 24 Sept 2013	£0.14 Options 24 Sept 2013
Number of options	4,000,000	2,250,000	1,250,000	820,000	3,250,000	3,250,000
Fair value at issue date	£0.0001	£0.0012	£0.0043	£0.001	£0.003	£0.011
Exercise price	£0.50	£0.28	£0.14	£0.50	£0.28	£0.14
Expected volatility	127.46%	127.46%	127.46%	113.24%	113.24%	113.24%
Option life	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	1.28%	1.28%	1.28%	1.62%	1.62%	1.62%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 19 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

Fair value of share options and assumptions	2015	
	£0.14 Options 8 July 2014	£0.28 Options 8 July 2014
Number of options	2,180,000	2,180,000
Fair value at issue date	£0.010	£0.003
Exercise price	£0.140	£0.280
Expected volatility	115.31%	115.31%
Option life	3.00 years	3.00 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (short-term)	2.48%	2.48%
Valuation methodology	Monte Carlo	Monte Carlo

The calculation of the volatility of the share price was based on the Company's daily closing share price over the two-year period prior to the date the options were issued.

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

If required, the Board of Directors determines the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign currency risk and liquidity risk, each of which is discussed below. The main credit risk is the non-collection of loans and other receivables which include refunds and tenement security deposits. There were no overdue receivables at year end.

There have been no changes in financial risks from the previous year.

During the year ended 30 June 2015 or 2014 no trading in commodity contracts was undertaken.

Market risk

Interest rate risks

The group's and company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The increase/decrease of 2% in interest rates will impact the group's income statement by a gain/loss of \$6,429 and the company's income statement by \$4,306. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

Foreign currency risk

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations which require funds to be maintained in currencies other than the functional currency of operation; and
- Translational exposures in respect of investments in overseas operations which have functional currencies other than Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) (continued)

Currency risk in respect of non-functional currency expenditure is reviewed by the Board.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the Group functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the statement of comprehensive income.

	Group 2015 \$	Group 2014 \$
Solomon Island dollar (SBD)	7,071	9,226
United States dollar (USD)	61,859	323,621
Great British Pound (GBP)	1,800	-
	70,730	332,847

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD) and United States dollar (USD). A 10% change in the SBD/A\$ and USD/A\$ exchange rates would give rise to a change of approximately \$7,073 (2014: \$33,285) in the Group net assets and reported earnings. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The company did not have any monetary assets and liabilities in currencies other than the company functional currency.

Credit Risk

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. At 30 June 2015, the Group had \$220,189 in cash accounts with Macquarie Bank Limited in Australia, \$22,467 in cash accounts with the ANZ Bank in Australia, \$14,417 in cash accounts with Westpac Bank in Australia, \$4,219 in cash accounts with the ANZ Bank in Honiara, Solomon Islands, \$55,790 in cash accounts with Banco Guayaquil in Ecuador and \$4,358 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was \$472,735 (2014: \$5,647,069).

The company is also exposed to credit risk due to the cash balances it holds directly. It is also exposed to credit risk on the loan balances it holds with its subsidiaries. At 30 June 2015, the company had \$215,312 in cash and cash equivalents and \$21,741,251 of intercompany loan balances receivable. The maximum exposure to credit risk at the reporting date was \$21,956,563.

Liquidity risks

The Group and Company raises funds as required on the basis of budgeted expenditure for the next 12 to 24 months, dependent on a number of prevailing factors. Funds are generally raised in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time. When funds are sought, the Group balances the costs and benefits of equity financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. The Group deals with banks with high credit ratings assigned by international credit rating agencies. Funds are provided to local sites weekly, based on the sites' forecast expenditure.

All liabilities held by the Group are contractually due and payable within 1 year.

Fair values

In the Directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments. The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in notes to the accounts.

All the group's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 21 COMMITMENTS

The Company also has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

The combined commitments of the Group related to its granted tenement interests are as follows:

Location	Up to 12 Months	13 Months to 5 Years	Later than 5 Years
Ecuador	3,804,472	-	-
Solomon Islands	-	-	-
Queensland	792,500	819,000	-
	4,596,972	819,000	-

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

NOTE 22 RELATED PARTIES

(a) Group

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Transactions with Directors and Director-Related Entities

- (i) The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2015 \$150,000 was paid or payable to Samuel (2014: \$153,750). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$58,358 (2014: \$nil).
- (ii) The Company has a long-standing commercial arrangement with DGR Global Ltd, an entity associated with Nicholas Mather (Director) and Brian Moller (Director), for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company shall reimburse DGR Global for any expenses incurred by it in providing the Services. For the year ended 30 June 2015 \$360,000 was paid or payable to DGR Global (2014: \$264,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$310,690 (2014: \$nil).
- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2015, Hopgood Ganim were paid \$128,681 (2014: \$89,039) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was \$74,704 (2014: \$16,730).

b) Share and Option transactions of Directors are shown under Notes 5 and 19.

(b) Company

The Company has related party relationships with its subsidiaries (see note 9), Directors and other key personnel (see Note 19).

All related party transactions are conducted at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 22 RELATED PARTIES (continued)

Subsidiaries

The Company has an investment in subsidiaries balance of \$30,729,182 (2014: \$21,941,839). The transactions during the year have been included in Note 9. As the Company does not expect repayment of this amount and will not call payment until the subsidiary can adequately pay it out of working capital, this amount has been included in the carrying amount of the investment in the Parent Entity's statement of financial position.

(c) Controlling party

In the Directors' opinion there is no ultimate controlling party.

NOTE 23 ACQUISITIONS

Exploraciones Novomining S.A.

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and effectively was able to govern the financial and operating policies of Exploraciones Novomining S.A. on that date. SolGold plc had previously treated its investment in Exploraciones Novomining S.A. as an investment accounted for using the equity method. The following table shows the assets acquired and liabilities assumed at acquisition date.

Identifiable assets and liabilities

	Acquiree's carrying amount	Fair Value
	\$	\$
Cash	13,901	13,901
Other receivables and prepayments	25,835	25,835
Intangible assets - exploration expenditure	917,676	3,097,086
Property, plant and equipment	6,425	6,425
Other noncurrent assets	74,263	74,263
Trade and other payables	(323,159)	(323,159)
	714,941	2,894,351
Less: Non-controlling interest		(357,471)
Identifiable assets acquired and liabilities assumed		2,536,880

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The key elements of the Statement of Financial Position that rely on the business judgment of the Directors as related to their carrying value include the capitalised exploration expenditure, and the business combination (also largely reflected in the consolidated carrying value of exploration expenditure).

The Directors have carried out an assessment of the carrying values of deferred exploration costs and any required impairment.

Cascabel Joint Venture

Under the terms of the JV venture agreement, SolGold has met the agreed expenditure commitments and has earned a 85% participating interest in Exploraciones Novomining S.A. ("ENSA"). Cornerstone Capital Resources Inc. holds the other 15% of ENSA. ENSA is an Ecuadorean registered company which holds 100% of the Cascabel concession.

Exploration on the Cascabel concession has included: geological mapping, stream silt sampling, soil sampling, orientation soil sampling, rock chip sampling, channel sampling, Terraspec spectral sampling, a helimagnetic survey (which has been modelled in 3D), a radiometric survey, petrography, gridding in preparation for a 3D Induced Polarisation (IP) and magnetotelluric (MT) survey, diamond drilling and preparation for initial metallurgical testing. The regional exploration activity to date has identified seven main prospects: Alpala, Alpala Northwest, Alpala Southwest, Aguinaga, Chinambicito, America-Tandayama and Cristal. The most significant of these is the Alpala prospect where twelve drill holes have been completed and a thirteenth partial drill hole have been drilled for a total combined meterage of 13,809m.

The completion of soil gridding and infill across the entire tenement area has produced coincident molybdenum, gold and copper / zinc ratio in soil anomalies that suggest an inferred porphyry centre characterised by higher temperatures of mineralisation. The low manganese in soil is inferred to be related to intense late-stage hydrothermal alteration, whilst the presence of elevated zinc surrounding these areas of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

The aggregate carrying value of \$16.90 million is considered to be unimpaired.

SolGold 100% owned Projects

Kuma PL 08/06

SolGold had a 100% ownership. The project was at an early stage of exploration, which had included: geological mapping, rock chip sampling, stream sediment sampling, an airborne magnetic survey and initiation of both soil sampling and TerraSpec mineralogical mapping. This work identified a lithocap, which are often found above mineralised porphyry complexes. The prospecting licence (PL 08/06) expired on 11 April 2015 and accordingly the carrying value of \$0.31 million was considered to be impaired and an impairment charge of \$0.31 million (2014: \$nil) was recognised during the year.

Fauro PL 12/09

The company could not find a JV partner to pursue drilling of gold-copper targets defined in the 2011/2012 exploration program. As no JV partner has been found to date, the tenement was relinquished and the carrying value of \$4,534 (2014: \$1.03 million) is considered to be impaired and an impairment charge of \$4,534 (2014: \$1.03 million) was recognised during the year ended 30 June 2015.

Acapulco Mining Projects

Acapulco has three granted tenements across Queensland. The granted tenements comprise of 232 sub-blocks (circa 718km²).

Extensive airborne magnetic and electromagnetic surveys have been conducted over some of the tenements, together with detailed stream sediment sampling, soil sampling, rock chip sampling and geological mapping programs. Furthermore, since May 2006 a total of 283 holes, equivalent to 24,377.8m have been drilled on the tenements.

The objective has been to step-out from areas of known gold mineralisation so that resources can be defined and enlarged, with the objective of defining a maiden resource. The Company is seeking a joint venture partner to further progress these projects.

The aggregated carrying value of \$8.87 million is considered to be unimpaired.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Central Minerals Projects

Central Minerals comprises of seven granted tenements which is comprised of 280 sub-blocks (circa 886km²).

Extensive airborne magnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling, trenching, mapping programs and an induced polarisation geophysical survey. Since October 2007, a total of 473 holes, equivalent to 58,886.62m, have been drilled on the tenements.

On 23 May 2012, SolGold announced an updated indicated and inferred combined resource at Rannes at an 0.3 g/t Au cut-off of 18.7 million tonnes at 0.92 g/t gold equivalent (gold + silver) for 550,000 ounces of gold equivalent (296,700 ounces of gold and 10,139,000 ounces of silver; values rounded; see announcement dated 23 May 2012 for details of the resource statement and gold equivalent ratios). The resource at an 0.5 g/t Au cut-off is 12.23 million tonnes at 0.60g/t gold and 23.18g/t silver; for 237,240 ounces Au and 9,105,072 ounces Ag (using a gold to silver ratio of 1:50). Several other prospects exist that contain known gold mineralisation that has not yet been included in the resource estimate. The Company is seeking a JV partner to progress drilling on the Rannes project tenements.

The Central Minerals projects have a carrying value of \$3.63 million at 30 June 2015 and are considered to be unimpaired.

NOTE 25 CONTINGENT ASSETS AND LIABILITIES

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US\$4 million. Fifty percent (50%) of the royalty can be purchased for US\$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US\$3 million 90 days following a production decision.

There are no contingent assets and liabilities at 30 June 2015 (2014: none).

NOTE 26 SUBSEQUENT EVENTS

On 2 October 2015, the Company executed Convertible Note Deeds with substantial shareholders, DGR Global Limited and Tenstar Trading Limited for a total funding of \$2,332,000.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2.39 million in a combination of cash and debt conversions pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

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

APPENDIX D

AUDITED FINANCIAL INFORMATION FOR THE YEAR ENDED 30 JUNE 2014

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2014.

PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are gold and mineral exploration in Ecuador, the Solomon Islands, and Queensland, Australia. Details of the Group's activities, together with a description of the principal risks and uncertainties facing the Group, and the development of the business, are given in the Strategic Report.

The principal activity of the Company is that of a holding company.

BUSINESS REVIEW

A detailed review of the Group's business and future developments is set out in the Operations Report and Financial Review.

The principal risks and uncertainties facing the Group at its present stage of development are given under Risks and Uncertainties.

LAND AND BUILDINGS

During the year ended 30 June 2014 the Group disposed of its land and buildings held in the Solomon Islands. The Group has no other interests in any land and buildings.

GOING CONCERN

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The Group and the Company has not generated revenues from operations. As such, the Group's and Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raising, it may not be able to fully develop its projects.

CURRENCY

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The presentational currency of the Group is Australian dollars ("A\$") and all amounts presented in the Directors' Report and financial statements are presented in Australian dollars unless otherwise indicated.

RESULTS

The Group's consolidated loss for the year was \$4,831,216 (2013: \$29,895,902).

CHANGES IN SHARE CAPITAL DURING 2014

A statement of changes in the share capital of the Company is set out in Note 17 to the financial statements.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend (2013: nil).

FINANCIAL INSTRUMENTS

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's or Group's activities. The Company's financial instruments consist mainly of deposits with banks, accounts payable, and loans to subsidiaries. Further details of financial risk management objectives and policies, and exposure of the group to financial risks are provided in Note 21 to the financial statements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group policy on the payment of creditors is to settle bills in accordance with the terms agreed with suppliers.

At the year-end there were 8 days (2013: 29 days) worth of purchases in Group trade creditors and 9 days (2013: 25 days) worth of purchases in Company trade creditors.

DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the period were as follows:

Alan Martin	CEO & Managing Director (appointed CEO 10 May 2013 and appointed Managing Director 8 October 2013)
Nicholas Mather	Executive Director
Brian Moller	Non-Executive Chairman
Robert Weinberg	Non-Executive Director
John Bovard	Non-Executive Director

The Company has a Directors' and Officers' Liability insurance policy with Chartis Australia Insurance Limited for all its Directors.

The Directors who held office at the end of the financial year held direct and indirect interests in the ordinary shares and unlisted options of the Company as shown in the tables below.

Shares held	At 30 June 2014	At 30 June 2013
Alan Martin	9,200,000	-
Nicholas Mather	65,519,569	62,521,748
Brian Moller	2,393,972	1,811,720
Robert Weinberg	2,304,971	2,055,530
John Bovard	3,307,553	3,103,958

There were 16,000,000 options issued to Directors during the year (2013: nil).

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

Share options held	At 30 June 2014	At 30 June 2013	Option Price	Exercise Period
Alan Martin	16,000,000	-	14p - 50p	28/06/13 – 28/06/15
Nicholas Mather	3,000,000	4,200,000	6p - 50p	31/05/12 -19/08/14
Brian Moller	-	880,000	50p	31/05/12 -31/05/14
Robert Weinberg	-	880,000	50p	31/05/12 -31/05/14
John Bovard	-	880,000	50p	31/05/12 -31/05/14

MAJOR SHAREHOLDERS

The following parties represented the top 10 shareholders visible on the Company's Register in the Company as at 8 October 2014.

Major Shareholders	Number of Shares	% of Issued Capital
Pershing Nominees Limited <WRCLT>	140,521,871	21.55
Pershing Nominees Limited <PERNY>	59,123,240	9.07
Barclayshare Nominees Limited	55,366,165	8.49
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	54,118,800	8.30
HSDL Nominees Limited	34,545,714	5.30
HSBC Client Holdings Nominee (UK) Limited <731504>	25,425,966	3.90
Hargreaves Lansdown (Nominees) Limited <HLNOM>	19,830,401	3.04
W B Nominees Limited	18,259,992	2.80
Investor Nominees Limited <NOMINEE>	13,367,437	2.05
Roy Nominees Limited <100284>	12,553,116	1.92

CORPORATE GOVERNANCE

In formulating the Company's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in the UK Corporate Governance 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 of Directors do not consider it necessary to adopt the Code in its entirety.

The Board of SolGold plc is made up of two Executive Directors and three Non-executive Directors. Nicholas Mather is an Executive Director and Alan Martin is the Company's Chief Executive Officer. Alan Martin was appointed as Managing Director on 8 October 2013. 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 Group. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group'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. One third of the Directors 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.

The Audit Committee, which meets not less than twice a year, is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored as well as liaising with the Company's auditor to discuss accounts and the Group's internal controls. The Committee is comprised of the entire Board of Directors. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

The Remuneration Committee meets at least once a year and is responsible for making decisions on Directors' and key management's remuneration packages. The Committee is comprised of the entire Board of Directors.

The remuneration of the non-executive Directors is determined by the executive Directors who consider 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 they believe that it is in the interests of shareholders that non-executive Directors should be provided with share options in addition to the level of fees considered affordable. At 30 June 2014, there were no options on issue. However, on 8 July 2014, 2,860,000 options were issued or just under 0.44% of the current issued share capital, and in the opinion of the executive Directors is not of sufficient magnitude as to affect their independence.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time, in accordance with the AIM rules of the London Stock Exchange rules. The Company's principal communication with its investors is through the Annual General Meeting and through the annual report and accounts and the interim statement.

The 2014 Annual General Meeting will provide an opportunity for the Chairman and/or Chief Executive Officer to present to the shareholders a report on current operations and developments and will enable the shareholders to question and express their views about the Company's business. A separate resolution will be proposed on each substantially separate issue, including the receipt of the financial statements and shareholders will be entitled to vote either in person or by proxy.

A Health, Safety, Environment and Community Committee (HSEC Committee) is responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community in Ecuador, Solomon Islands and Queensland, the Committee is comprised of the entire Board of Directors.

EXECUTIVE REMUNERATION STRATEGY

Remuneration of Executive Directors 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 will also have 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 share options.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable donations in the year (2013: nil).

RELATED PARTY TRANSACTIONS

Details of related party transactions for the Group and Company are given in note 23. Key management personnel remuneration disclosures are given in note 5.

DIRECTORS' INDEMNITY

The Company has arranged appropriate directors' and officers' insurance to indemnify the directors against liability in respect of proceedings brought by third parties. Such provisions remain in force at the date of this report.

AUDITOR

A resolution for the appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

The Directors are not aware of any significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

GOVERNANCE (continued)

DIRECTORS' REPORT (continued)

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

DISCLOSURE OF AUDIT INFORMATION

In the case of each person who are Directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This report was approved by the board on 6 November 2014 and signed on its behalf.



Karl Schlobohm
Company Secretary
Lvl 27, 111 Eagle St
Brisbane QLD 4000
Australia

INDEPENDENT AUDITOR'S REPORT

To the Member of SolGold plc

We have audited the financial statements of SolGold PLC for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Directors have reviewed the financial position of the Group and the Company and acknowledge that additional funds need to be raised either through third parties or capital raisings. Although the directors are confident of being able to obtain additional funds, this cannot be guaranteed and there are no legally binding agreements in place relating to the raising of additional funds. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt on the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

Anne Sayers (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
Date

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2014

	Notes	Group 2014 \$	Group 2013 \$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		50,504	-
Expenses			
Exploration costs written-off	12	(2,246,491)	(27,300,641)
Administrative		(2,652,356)	(2,631,766)
Operating loss		(4,848,343)	(29,932,407)
Share of associate profits		-	29,775
Finance income	6	18,185	7,448
Finance costs	6	(1,058)	(718)
Loss before tax	3	(4,831,216)	(29,895,902)
Tax expense	7	-	-
Loss for the year		(4,831,216)	(29,895,902)
Other comprehensive income			
<i>Items that may be reclassified into profit or loss</i>			
Change in fair value of available-for-sale financial assets	10b	1,703,620	10,390
Exchange differences on translation of foreign operations		72,158	-
Total comprehensive income for the year		(3,055,438)	(29,885,512)
Loss for the year attributable to:			
Owners of the parent company		(4,831,216)	(29,895,902)
Non-controlling interest		-	-
		(4,831,216)	(29,895,902)
Total comprehensive income for the year attributable to:			
Owners of the parent company		(3,127,596)	(29,885,512)
Non-controlling interest		-	-
		(3,127,596)	(29,885,512)
Earnings per share		Cents per share	Cents per share
Basic earnings per share	8	(0.8)	(6.9)
Diluted earnings per share	8	(0.8)	(6.9)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 30 June 2014

Registered Number 5449516

	Notes	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Assets					
Property, plant and equipment	11	133,742	167,130	16,801	22,700
Intangible assets	12	21,451,449	14,578,178	640,855	29,209
Investment in subsidiaries	9	-	-	21,941,839	15,361,177
Investment in associates	10(a)	-	2,769,647	-	2,769,647
Investment in available for sale securities	10(b)	2,942,116	458,510	2,942,116	458,510
Loans receivable and other non-current assets	13	169,353	92,893	7,169	5,569
Total non-current assets		24,696,660	18,066,358	25,548,780	18,646,812
Other receivables and prepayments	15	1,112,340	311,088	1,015,123	272,745
Cash and cash equivalents	16	4,547,229	880,424	4,159,071	826,768
Total current assets		5,659,569	1,191,512	5,174,194	1,099,513
Total assets		30,356,229	19,257,870	30,722,974	19,746,325
Equity					
Share capital	17	11,106,524	9,361,755	11,106,524	9,361,755
Share premium	17	78,434,985	66,418,526	78,434,985	66,418,526
Other reserves		2,763,046	3,233,263	2,758,752	3,233,263
Accumulated loss		(62,826,199)	(60,209,103)	(62,005,995)	(59,610,996)
Non-controlling interest		90,572	-	-	-
Total equity		29,568,928	18,804,441	30,294,266	19,402,548
Liabilities					
Finance lease liabilities	18	-	14,428	-	-
Total non-current liabilities		-	14,428	-	-
Finance lease liabilities	18	-	9,148	-	-
Trade and other payables	19	787,301	429,853	428,708	343,777
Total current liabilities		787,301	439,001	428,708	343,777
Total liabilities		787,301	453,429	428,708	343,777
Total equity and liabilities		30,356,229	19,257,870	30,722,974	19,746,325

The above consolidated and company statements of financial position should be read in conjunction with the accompanying notes.

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 6 November 2014.



Alan Martin
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2014

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Available-for-sale financial assets reserve	Share option reserve	Convertible Redeemable Preference Share reserve	Foreign Currency Translation Reserve	Change in proportionate interest reserve	Accumulated loss	Non-controlling interests	Total
		\$	\$	\$	\$	\$	\$		\$	\$	\$
Balance at 30 June 2012	17	5,791,534	61,216,133	-	3,145,297	-	-	-	(30,325,921)	(46,183)	39,780,860
Loss for the year		-	-	-	-	-	-	-	(29,895,902)	-	(29,895,902)
Other comprehensive income		-	-	10,390	-	-	-	-	-	-	10,390
Total comprehensive income for the year		-	-	10,390	-	-	-	-	(29,895,902)	-	(29,885,512)
New share capital subscribed		3,551,968	5,596,692	-	-	-	-	-	-	-	9,148,660
Share issue costs		-	(394,299)	-	74,461	-	-	-	-	-	(319,838)
Value of shares and options issued to Directors, employees and consultants		-	-	-	30,477	-	-	-	-	-	30,477
Value of share options forfeited during the year		-	-	-	(27,362)	-	-	-	-	-	(27,362)
Value of performance shares issued to employees		-	-	-	-	77,156	-	-	-	-	77,156
Conversion of preference shares to ordinary shares		18,253	-	-	-	(77,156)	-	-	58,903	-	-
Disposal of non-controlling interest in subsidiary acquired		-	-	-	-	-	-	-	(46,183)	46,183	-
Balance at 30 June 2013	17	9,361,755	66,418,526	10,390	3,222,873	-	-	-	(60,209,103)	-	18,804,441

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
For the year ended 30 June 2014

Consolidated statement of changes in equity

	Notes	Share capital	Share premium	Available-for-sale financial assets reserve	Share option reserve	Convertible Redeemable Preference Share reserve	Foreign Currency Translation Reserve	Change in proportionate interest reserve	Accumulated loss	Non-controlling interests	Total
		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2013	17	9,361,755	66,418,526	10,390	3,222,873	-	-	-	(60,209,103)	-	18,804,441
Loss for the year		-	-	-	-	-	-	-	(4,831,216)	-	(4,831,216)
Other comprehensive income		-	-	1,703,620	-	-	72,158	-	-	-	1,775,778
Total comprehensive income for the year		-	-	1,703,620	-	-	72,158	-	(4,831,216)	-	(3,055,438)
New share capital subscribed		1,732,825	12,595,988	-	-	-	-	-	-	-	14,328,813
Share issue costs		-	(722,860)	-	-	-	-	-	-	-	(722,860)
Value of share and options issued to Directors, employees and consultants		-	-	-	35,989	-	-	-	-	-	35,989
Value of share options forfeited during the year		-	-	-	(2,214,120)	-	-	-	2,214,120	-	-
Value of bonus shares issued to employees		11,944	143,331	-	-	-	-	-	-	-	155,275
Non-controlling interest in subsidiary acquired		-	-	-	-	-	-	(67,864)	-	90,572	22,708
Balance at 30 June 2014	17	11,106,524	78,434,985	1,714,010	1,044,742	-	72,158	(67,864)	(62,826,199)	90,572	29,568,928

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
For the year ended 30 June 2014

Company statement of changes in equity

	Notes	Share capital \$	Share premium \$	Available- for-sale financial assets \$	Share option reserve \$	Convertible Redeemable Preference Share reserve \$	Accumulated loss \$	Total \$
Balance at 30 June 2012	17	5,791,534	61,216,133	-	3,145,297	-	(28,491,681)	41,661,283
Loss for the year		-	-	-	-	-	(31,178,218)	(31,178,218)
Other comprehensive income		-	-	10,390	-	-	-	10,390
Total comprehensive income for the year		-	-	10,390	-	-	(31,178,218)	(31,167,828)
New share capital subscribed		3,551,968	5,596,692	-	-	-	-	9,148,660
Share issue costs		-	(394,299)	-	74,461	-	-	(319,838)
Value of shares and options issued to Directors, employees and consultants		-	-	-	30,477	-	-	30,477
Value of share options forfeited during the year		-	-	-	(27,362)	-	-	(27,362)
Value of performance shares issued to employees		-	-	-	-	77,156	-	77,156
Conversion of performance shares to ordinary shares		18,253	-	-	-	(77,156)	58,903	-
Balance at 30 June 2013	17	9,361,755	66,418,526	10,390	3,222,873	-	(59,610,996)	19,402,548
Loss for the year		-	-	-	-	-	(4,609,119)	(4,609,119)
Other comprehensive income		-	-	1,703,620	-	-	-	1,703,620
Total comprehensive income for the year		-	-	1,703,620	-	-	(4,609,119)	(2,905,499)
New share capital subscribed		1,732,825	12,595,988	-	-	-	-	14,328,813
Share issue costs		-	(722,860)	-	-	-	-	(722,860)
Value of shares and options issued to Directors, employees and consultants		-	-	-	35,989	-	-	35,989
Value of share options forfeited during the year		-	-	-	(2,214,120)	-	2,214,120	-
Value of bonus shares issued to employees		11,944	143,331	-	-	-	-	155,275
Balance at 30 June 2014	17	11,106,524	78,434,985	1,714,010	1,044,742	-	(61,862,664)	30,294,266

The above statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
For the year ended 30 June 2014

	Notes	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Cash flows from operating activities					
Operating loss		(4,848,343)	(29,932,407)	(4,625,649)	(31,178,218)
Depreciation		35,025	62,550	10,254	9,075
Share based payment expense		191,264	80,271	191,264	80,271
Write-off of exploration expenditure		2,246,491	27,300,641	-	-
(Profit) loss on sale of property, plant and equipment		(50,504)	2,244	-	-
Impairment of investments in subsidiaries		-	-	2,045,216	28,651,475
(Increase) decrease in other receivables and prepayments		(801,252)	157,974	(742,377)	(21,942)
Increase (decrease) in trade and other payables		803,470	402,284	741,150	(84,196)
Net cash outflow from operating activities		(2,423,849)	(2,006,714)	(2,380,142)	(2,543,545)
Cash flows from investing activities					
Interest received		18,185	7,448	16,531	5,988
Interest paid		(1,058)	(718)	(1,052)	(690)
Security deposit (payments)/refunds		(4,622)	5,520	(1,600)	2,000
Acquisition of property, plant and equipment		(102,575)	(4,710)	(4,355)	(4,710)
Proceeds from the sale of property, plant and equipment		157,863	72,707	-	-
Acquisition of exploration and evaluation assets		(5,825,393)	(2,822,260)	(398,347)	(29,209)
Acquisition of subsidiaries (net of cash)	24	13,901	1	-	-
Investment in available for sale securities		(779,982)	(448,120)	(779,982)	(448,120)
Investment in associates		-	(2,517,664)	-	(2,517,664)
Loans advanced to third parties		-	-	-	-
Loans advanced to subsidiaries		-	-	(5,756,661)	(2,254,043)
Net cash outflow from investing activities		(6,523,681)	(5,707,797)	(6,925,466)	(5,237,029)
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		13,360,770	8,575,084	13,360,770	8,575,084
Payment of issue costs		(722,859)	(311,488)	(722,859)	(311,488)
Repayment of borrowings		(23,576)	(109,284)	-	-
Net cash inflow from financing activities		12,614,335	8,154,312	12,637,911	8,263,596
Net (decrease) in cash and cash equivalents		3,666,805	439,801	3,332,303	483,032
Cash and cash equivalents at the beginning of year		880,424	440,623	826,768	343,736
Cash and cash equivalents at end of year	16	4,547,229	880,424	4,159,071	826,768

The above statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES

The Company is a public limited company incorporated in England and Wales and is listed on the AIM market of the London Stock Exchange.

(a) Statement of compliance

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The accounting policies set out below have been applied consistently throughout these consolidated financial statements.

(b) Basis of preparation of financial statements, going concern and availability of project finance

The consolidated financial statements are presented in Australian dollars ("A\$"), rounded to the nearest dollar.

The Company was incorporated on 11 May 2005. The Group has elected, from incorporation, to prepare annual consolidated financial statements in accordance with IFRS. A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. At the reporting date, the Group had a net current asset position of \$4,872,268, compared with a net current liability position in 2013 of \$752,511. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

(c) Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES (continued)

(c) Basis of consolidation (continued)

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income where applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(d) Foreign currency

The Company's functional and presentation currency is Australian dollars (A\$). The exchange rates at 30 June 2014 were £0.5544/A\$1.0, US\$0.9439/A\$1.0 and SBD\$6.9001/A\$1.0 (30 June 2013: £0.6002/A\$1.0, US\$0.9218/A\$1.0 and SBD\$6.6372/A\$1.0).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated into Australian dollars at the foreign exchange rate ruling at that date. Any resultant foreign exchange currency translation amount is taken to the profit and loss.

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The assets and liabilities of the entities are translated to the group presentation currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average rates for the period. Any exchange differences are taken directly to reserves. On disposal of an entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale.

(e) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives of all categories of assets are:

Office Equipment	3 years
Furniture and Fittings	5 years
Motor Vehicles	5 years
Plant and Equipment	5 years
Land and Buildings	12 years

The residual values and useful lives are assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES (Continued)

(f) Intangible assets

Deferred exploration costs

Costs incurred in relation to the acquisition of, or application for, a tenement area are capitalised where there is a reasonable expectation that the tenement will be acquired or granted. Where the Group is unsuccessful in acquiring or being granted a tenement area, any such costs are immediately expensed.

All other costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

(g) Loans receivables, other receivables and prepayments

Other receivables and prepayments are not interest bearing and are stated at their nominal amount less provision for impairment.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(i) Impairment

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

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

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(j) Share capital

The Company's ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2014****NOTE 1 ACCOUNTING POLICIES (Continued)****(k) Employee benefits***(i) Share based payment transactions*

The Group 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 share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share based payment transactions are disclosed in Note 20.

(ii) Retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the statement of comprehensive income.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(m) Trade and other payables

Trade and other payables are not interest bearing and are stated at their nominal value. The effect of discounting is immaterial.

(n) Revenue

During the exploration phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(o) Other income

Other income is recognised in the statement of comprehensive income as it accrues.

(p) Financing costs and income*(i) Financing costs*

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

(ii) Finance income

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

(q) Taxation

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**NOTE 1 ACCOUNTING POLICIES (Continued)****(r) Segment reporting**

The Group determines and presents operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results and asset position are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities.

(s) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings on acquisition are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

(t) Project Financing / Farm-outs

The Group, from time to time, enters into funding arrangements with third parties in order to progress specific projects. The Group accounts for the related exploration costs in line with the terms of the specific agreement. Costs incurred by SolGold plc are recognised as intangible assets within the financial statements. Costs incurred by third parties are not recognised by SolGold plc.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES (Continued)

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

(v) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and Subsequent Measurement

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(ii) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. These assets are measured at fair value with gains or losses recognised in the profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and non-derivatives that are either designated in this category or not classified in any other categories. After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income.

(iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, where appropriate, including recent arm's length transactions, reference to similar instruments and option pricing models.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES (Continued)

(v) Financial Instruments (continued)

Impairment of financial assets

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined from available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counter-party's financial situation and the net realisable value of any underlying collateral. Impairment losses are recognised in the profit or loss.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through profit or loss. When a subsequent event reduces the impairment of an available for sale equity instrument the fair value increased is recognised in other comprehensive income.

(w) Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:

(i) Company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company has not been separately presented in these financial statements. The Company's loss for the year was \$4,609,119 (2013: \$31,178,218).

(ii) Subsidiary investments

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, for assets that could be capitalised in accordance with IFRS 6, is recorded within investments in subsidiary undertakings.

(x) Nature and purpose of reserves

(i) Available-for-sale financial assets reserve

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available-for-sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

(ii) Share option reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised.
- the grant date fair value of shares issued to employees.

(iii) Convertible Redeemable Preference Share reserve

This reserve is used to recognise the grant date fair value of Convertible Redeemable Preference Shares ("CRPS's") issued to employees.

(iv) Change in proportionate interest reserve

This reserve is used to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

(v) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 1 ACCOUNTING POLICIES (Continued)

(x) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended International Accounting Standards and Interpretations as of 1 July 2013:

Reference	Title	Application date of standard	Application date for the Group
IFRS 13	Fair Value Measurements	1 January 2013	1 July 2013
IAS 19	Employee Benefits (amended 2011)	1 July 2013	1 July 2013
IAS 27	Separate Financial Statements	1 July 2013	1 July 2013
IAS 28	Investments in Associates and Joint Ventures	1 July 2013	1 July 2013

International Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2014. The impact of the adoption of these new standards and interpretations is yet to be assessed by the Group.

The Company anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

Reference	Title	Application date of standard	Application date for the Company
IFRS 9	Financial Instruments	1 January 2017	1 July 2017
IFRS 10	Consolidated Financial Statements	1 January 2014	1 July 2014
IFRS 11	Joint Arrangements	1 January 2014	1 July 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	1 July 2014
IAS 19	Defined Benefit Plans (Amendments)	1 July 2014	1 July 2014
Annual Improvements to IFRS (2010 - 2012 Cycle)		1 July 2014	1 July 2014
Annual Improvements to IFRS (2011 - 2013 Cycle)		1 July 2014	1 July 2014

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 2 SEGMENT REPORTING

The group determines and separately reports operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers.

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors along company lines. That is, the financial position of SolGold and each of its subsidiary companies is reported discretely, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below. The financial information of the subsidiaries that do not exceed the thresholds outlined above, and are therefore not reported separately, are aggregated as Other Subsidiaries.

30 June 2014	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	16,531	16,531	(4,609,118)	30,722,975	428,708	191,264	10,254
ARM	206	50,710	(990,430)	527,746	32,722,393	-	13,064
Central Minerals	8	8	(41,084)	3,676,099	13,203,872	-	2,262
Acapulco Mining	636	636	(49,427)	5,934,325	3,758,596	-	5,183
Solomon Operations	-	-	(29,746)	12	81,457	-	-
Honiara Holdings	-	-	(2,141)	2,051	957,276	-	-
Guadalcanal Exploration	-	-	(1,151,902)	5,294	1,215,894	-	-
ENSA	803	803	(2,215)	3,536,328	2,751,652	-	4,261
Consolidation / Elimination	-	-	2,044,846	(14,048,601)	(54,332,547)	-	-
Total	18,185	68,689	(4,831,216)	30,356,229	787,301	191,264	35,025

30 June 2013	Finance Income \$	Total Income \$	Loss for the year \$	Assets \$	Liabilities \$	Share Based Payments \$	Depreciation \$
SolGold	5,988	5,988	(31,178,218)	37,993,519	318,681	80,271	9,522
ARM	507	507	(12,893,152)	1,485,034	32,689,251	-	21,073
Central Minerals	118	118	(8,582,984)	3,582,305	13,068,993	-	23,382
Acapulco Mining	835	835	(16,750)	5,837,534	3,612,378	-	8,573
Solomon Operations	-	-	(12)	29,758	81,457	-	-
Honiara Holdings	-	-	(998,381)	3,122	956,044	-	-
Guadalcanal Exploration	-	-	(12,363)	1,127,428	1,186,126	-	-
Consolidation / Elimination	-	-	23,785,958	(40,834,726)	(51,459,501)	-	-
Total	7,448	7,448	(29,895,902)	19,257,870	453,429	80,271	62,550

Geographical information

Non-current assets	2014 \$	2013 \$
UK	-	-
Australia	18,170,684	12,860,582
Solomon Islands	506,145	2,611,879
Ecuador	6,019,831	2,593,897

The Group had no revenue during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 3 LOSS BEFORE TAX

	Group 2014 \$	Group 2013 \$
Loss is stated after charging (crediting)		
Auditors' remuneration:		
<i>Amounts received or due and receivable by BDO (UK) for:</i>		
The audit of the company's annual accounts	30,325	23,375
<i>Amounts received or due and receivable by related practices of BDO (Australia) for:</i>		
The audit of the company's annual accounts	24,675	20,625
The review of the company's interim report	-	11,000
Other assurance related services	-	37,000
Depreciation	35,025	62,550
Foreign exchange losses	29,764	9,205
Share based payments	191,264	80,271

NOTE 4 STAFF NUMBERS AND COSTS

	Group 2014	Group 2013	Company 2014	Company 2013
Corporate finance and administration	10	7	7	7
Technical	120	4	4	4
	130	11	11	11

The aggregate payroll costs of these persons were as follows:

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Wages and salaries	1,767,688	1,218,074	1,166,680	1,218,074
Contributions to defined contribution plans	173,094	93,532	62,804	93,532
Share based payments	191,264	80,271	191,264	80,271
Total staff costs	2,132,046	1,391,877	1,420,748	1,391,877

Included within total staff costs is \$1,442,712 (2013: \$648,712) which has been capitalised as part of deferred exploration costs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary \$	Other Benefits ¹ \$	Pensions \$	Total Remuneration \$
2014				
Directors				
Alan Martin	289,808	24,434	25,778	340,020
Nicholas Mather	153,750	81,486	-	235,236
Brian Moller	47,083	-	-	47,083
Robert Weinberg	47,083	-	-	47,083
John Bovard	47,083	-	-	47,083
Staff and contractors	680,138	75,689	24,476	780,303
TOTAL	1,264,946	181,609	50,255	1,496,810

	Basic Annual Salary \$	Other Benefits ¹ \$	Pensions \$	Total Remuneration \$
2013				
Directors				
Malcolm Norris	291,288	12,508	25,380	329,176
Cameron Wenck	52,883	-	-	52,883
Nicholas Mather	146,250	-	-	146,250
Brian Moller	47,917	-	-	47,917
Robert Weinberg	47,917	-	-	47,917
John Bovard	47,917	-	-	47,917
Staff and contractors	526,746	18,717	42,337	587,800
TOTAL	1,160,918	31,225	67,717	1,259,860

¹ Share based payments issued.

During the year no directors exercised options granted under the employee share option plan (2013: nil).

During the year, employer's social security costs of \$50,255 (2012: \$67,717) were paid in respect of remuneration for key management personnel. Alan Martin (CEO and Managing Director) and Nicholas Mather (Executive Director) are considered to be key management personnel.

NOTE 6 FINANCE INCOME AND COSTS

	Group 2014 \$	Group 2013 \$
Interest income	18,185	7,448
Finance income	18,185	7,448
Interest cost	(1,058)	(718)
Finance costs	(1,058)	(718)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 7 TAX EXPENSE

Factors affecting the tax charge for the current year

The tax credit for the period is lower than the credit resulting from the application of the standard rate of corporation tax in Australia of 30% (2013: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	Group 2014 \$	Group 2013 \$
Tax reconciliation		
Loss before tax	(4,831,216)	(29,895,902)
Tax at 30% (2013: 30%)	(1,449,365)	(8,968,771)
Effects at 30% (2013: 30%) of:		
Short term temporary differences	437,746	7,740,809
Non-deductible expenses	70,371	21,505
Tax losses carried forward	941,248	1,206,457
Tax on loss	-	-

Factors that may affect future tax charges

The Group has carried forward tax losses of approximately \$42.0 million (2013: \$39.0 million). These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group company of various tax integrity measures applicable in the jurisdiction where the tax loss has been incurred. The jurisdictions in which tax losses have been incurred include Australia and the Solomon Islands.

NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of \$4,831,216 (2013: \$29,895,902) and the weighted average number of ordinary shares outstanding of 605,395,853 (2013: 430,235,731).

There is no difference between the diluted loss per share and the basic loss per share presented as the share options on issue during the period and prior period were not considered dilutive. At 30 June 2014 there were 33,920,000 share options on issue (2013: 28,372,000).

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	SolGold plc's effective interest	
			2014	2013
Australian Resources Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%	100%
Central Minerals Pty Ltd	Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%
Honiara Holdings Pty Ltd	Australia	Exploration	100%	100%
Guadalcanal Exploration Pty Ltd	Australia	Exploration	100%	100%
Exploraciones Novomining S.A.	Ecuador	Exploration	85%	30%

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)

	Investment in subsidiary undertakings		
	Shares \$	Loans \$	Total \$
Cost			
Balance at 30 June 2012	11,135,656	48,901,647	60,037,303
Acquisitions and advances in the year	1	2,286,414	2,286,415
Balance at 30 June 2013	11,135,657	51,188,061	62,323,718
Acquisitions and advances in the year	2,869,222	5,756,660	8,625,882
Balance at 30 June 2014	14,004,879	56,944,721	70,949,600
Amortisation and impairment losses			
Balance at 30 June 2012	-	(18,311,066)	(18,311,066)
Provision for impairment	(5,016,948)	(23,634,527)	(28,651,475)
Balance at 30 June 2013	(5,016,948)	(41,945,593)	(46,962,541)
Provision for impairment	-	(2,045,220)	(2,045,220)
Balance at 30 June 2014	(5,016,948)	(43,990,813)	(49,007,761)
Carrying amounts			
Balance at 30 June 2012	11,135,656	30,590,581	41,726,237
Balance at 30 June 2013	6,118,709	9,242,468	15,361,177
Balance at 30 June 2014	8,987,931	12,953,908	21,941,839

The write-down of the deferred exploration costs associated with certain projects in Queensland and the Solomon Islands lead to the Company recording a provision for impairment of \$2,045,220 on the loans receivable from Australian Resource Management (ARM) Pty Ltd, Central Minerals Pty Ltd and Guadalcanal Exploration Pty Ltd.

Details of all loans within the group made during the year are set out below:

	Shares \$	Loans \$	Total \$
Cost			
Total investment in subsidiaries by the Company at 30 June 2012	11,135,656	48,901,647	60,037,303
Advances in the period from SolGold plc to ARM Pty Ltd	-	509,183	509,183
Advances in the period from SolGold plc to Acapulco Mining Pty Ltd	-	308,334	308,334
Advances in the period from SolGold plc to Central Minerals Pty Ltd	-	1,311,769	1,311,769
Advances during the period to Honiara Holdings Pty Ltd	-	79,394	79,394
Acquisition and advances during the period to Guadalcanal Exploration Pty Ltd	1	77,734	77,735
Total investment in subsidiaries by the Company at 30 June 2013	11,135,657	51,188,061	62,323,718
Advances in the period from SolGold plc to ARM Pty Ltd	-	26,346	26,346
Advances in the period from SolGold plc to Acapulco Mining Pty Ltd	-	138,861	138,861
Advances in the period from SolGold plc to Central Minerals Pty Ltd	-	160,718	160,718
Advances during the period to Honiara Holdings Pty Ltd	-	471	471
Advances during the period to Guadalcanal Exploration Pty Ltd	-	31,108	31,108
Transfer from investments accounted for using the equity method	2,769,647	-	2,769,647
Acquisition and advances during the period to Exploraciones Novomining S.A.	99,575	5,399,156	5,498,731
Total investment in subsidiaries by the Company at 30 June 2014	14,004,879	56,944,721	70,949,600

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 10 INVESTMENTS

(a) Investments accounted for using the equity method

Name	Country of incorporation	Principle Activity	Shares	Ownership Interest		Carrying Amount	
				2014 %	2013 %	2014 \$	2013 \$
Exploraciones Novomining S.A.	Ecuador	Mineral Exploration	ORD	85%	30%	-	2,769,647
						-	2,769,647

(i) Movements during the year in equity accounted investments

	2014 \$	2013 \$
Balance at beginning of year	2,769,647	-
Carrying value of investment on transfer of intangible assets	-	222,208
Fair value of investment on initial recognition	-	2,517,664
Share of associates profits after income tax	-	29,775
Carrying value of investment transferred to investments in subsidiaries	(2,769,647)	-
Balance at end of year	-	2,769,647

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and as a result changed its accounting treatment from an investment accounted for using the equity method to an investment in a subsidiary (see Note 24).

(ii) Summarised financial information of associates

The Group's share of the results of its associates and its aggregated assets (including goodwill) and liabilities are as follows:

	Ownership interest %	Assets \$	Liabilities \$	Revenues \$	Profit \$
2013					
Exploraciones Novomining S.A.	30%	77,114	69,785	39,938	29,775

During the year ended 30 June 2014, SolGold's investment in Exploraciones Novomining S.A. increased from 35% to 85% and accordingly, it is now being accounted for as a subsidiary.

(b) Investments accounted for as available for sale assets

	2014 \$	2013 \$
Movements in available for sale financial assets		
Opening balance at 1 July	458,510	-
Additions	779,986	448,120
Fair Value adjustment through other comprehensive income	1,703,620	10,390
	2,942,116	458,510

Available for sale financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc, listed on the Toronto Stock Exchange ("TSX") and an investment in the ordinary issued capital of Aus Tin Mining Ltd, a company listed on the Australian Securities Exchange.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 10 INVESTMENTS (continued)

(c) Fair value

Fair value hierarchy

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The fair values of financial assets and financial liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The following table represents the Group's financial assets and liabilities measured and recognised at fair value.

	\$ Level 1	\$ Level 2	\$ Level 3	\$ Total
2014				
Available for sale financial assets	2,942,116	-	-	2,942,116
2013				
Available for sale financial assets	458,510	-	-	458,510

The available for sale financial assets are measured based on the quoted market prices at 30 June.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings \$	Plant and Equipment \$	Motor Vehicles \$	Office Equipment \$	Furniture & Fittings \$	Total \$	Company \$
Cost							
Balance 30 June 2012	208,144	98,489	267,722	72,402	19,493	666,250	45,224
Additions	-	-	-	3,030	1,680	4,710	4,710
Disposals	-	-	(147,207)	-	-	(147,207)	-
Balance 30 June 2013	208,144	98,489	120,515	75,432	21,173	523,753	49,934
Additions – business combinations	-	1,710	24,444	3,977	1,371	31,502	-
Additions – other	-	50,653	-	35,809	16,110	102,572	4,355
Disposals	(208,144)	-	(43,406)	-	-	(251,550)	-
Balance 30 June 2014	-	150,852	101,553	115,218	38,654	406,276	54,289
Depreciation and impairment losses							
Balance 30 June 2012	(93,582)	(71,720)	(129,992)	(57,994)	(15,285)	(368,573)	(18,159)
Depreciation charge for the year	(17,321)	(8,276)	(28,302)	(7,696)	(955)	(62,550)	(9,075)
Disposals	-	-	74,499	-	-	74,499	-
Balance 30 June 2013	(110,903)	(79,996)	(83,795)	(65,690)	(16,240)	(356,624)	(27,234)
Depreciation – business combinations	-	(253)	(24,444)	(312)	(68)	(25,483)	-
Depreciation charge for the year	(10,217)	(10,014)	(5,818)	(7,659)	(1,317)	(35,025)	(10,254)
Disposals	121,120	-	23,071	-	-	144,191	-
Balance 30 June 2014	-	(90,263)	(90,986)	(73,661)	(17,625)	(272,535)	(37,488)
Carrying amounts							
At 30 June 2012	114,562	26,769	137,730	14,408	4,206	297,677	27,065
At 30 June 2013	97,241	18,493	36,720	9,742	4,933	167,130	22,700
At 30 June 2014	-	60,589	10,567	41,557	21,029	133,742	16,801

For the prior year ended 30 June 2013 the net book value of assets pledged as security for lease finance was \$21,073. There was no lease financing at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 12 INTANGIBLE ASSETS

	Deferred Group exploration costs \$	Deferred Company exploration costs \$
Cost		
Balance 30 June 2012	59,708,002	222,208
Additions – expenditure	1,623,715	29,209
Transfer to equity accounted investments		(222,208)
Disposals	-	-
Balance 30 June 2013	61,331,717	29,209
Additions – expenditure	6,022,676	611,648
Additions – business combinations	3,097,086	-
Disposals	-	-
Balance 30 June 2014	70,451,479	640,857
Impairment losses		
Balance at 30 June 2012	(19,452,898)	-
Impairment charge	(27,300,641)	-
Balance 30 June 2013	(46,753,539)	-
Impairment charge	(2,246,491)	-
Balance 30 June 2014	(49,000,030)	-
Carrying amounts		
At 30 June 2012	40,255,104	222,208
At 30 June 2013	14,578,178	29,209
At 30 June 2014	21,451,449	640,857

Impairment loss

The Group considered it necessary to make a provision for impairment of \$2,177,290 (2013: \$24,734,063) as it relates to the deferred exploration assets of the Fauro, Lower Koloula and Malakuna projects. A decision was made to expense \$69,201 (2013: \$2,566,578) for exploration expenditure associated with other tenements that were dropped during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in Note 25.

NOTE 13 LOAN RECEIVABLES AND OTHER NONCURRENT ASSETS

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Loans receivables	-	-	-	-
Security bonds	169,353	92,893	7,169	5,569
	169,353	92,893	7,169	5,569

Security bonds relate to cash security held against office premises, Lvl 27, 111 Eagle St, Brisbane, Queensland Australia, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and cash backed bank guarantee held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 14 DEFERRED TAXATION

Recognised deferred tax assets

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Deferred tax assets:				
Tax losses	3,773,166	3,724,771	-	-
Deferred tax liabilities:				
Temporary timing differences arising on intangible assets	(3,773,166)	(3,724,771)	-	-
Net deferred taxes	-	-	-	-

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following amounts. Deferred tax has been calculated at the expected future rate of corporation tax of 30%.

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Temporary differences	11,967,721	7,796,272	-	326,481
Tax losses	9,829,794	11,699,667	9,200,901	11,699,667
	21,797,515	19,495,939	9,200,901	12,026,148

The deferred tax asset in respect of these items has not been recognised as future taxable profit is not anticipated within the foreseeable future.

NOTE 15 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Other receivables	1,099,840	289,088	1,002,623	250,745
Prepayments	12,500	22,000	12,500	22,000
	1,112,340	311,088	1,015,123	272,745

NOTE 16 CASH AND CASH EQUIVALENTS

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Cash at bank	4,547,229	880,424	4,159,071	826,768
Call deposits	-	-	-	-
Cash and cash equivalents in the statement of cash flows	4,547,229	880,424	4,159,071	826,768

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2013 No. of Shares	2013 Nominal Value £
At 1 July 2012 – Ordinary shares	620,000,000	6,200,000
At 30 June 2013 – Ordinary shares	620,000,000	6,200,000

	2014 No. of Shares	2014 Nominal Value £
At 1 July 2013 – Ordinary shares	620,000,000	6,200,000
Increase in authorised share capital of £0.01 each on 8 July 2014	200,000,000	2,000,000
At 30 June 2014 – Ordinary shares	820,000,000	8,200,000

(b) Changes in Issued Share Capital and Share Premium

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 2012	313,381,934	5,791,534	61,216,133	67,007,667
Shares issued at £0.04 – placement 17 July 2012	33,333,333	500,000	1,500,000	2,000,000
Share issue costs charged to share premium account	-	-	(24,128)	(24,128)
Shares issued at £0.035 – placement 3 October 2012	55,555,556	857,167	2,142,833	3,000,000
Share issue costs charged to share premium account	-	-	(302,465)	(302,465)
Shares issued at £0.035 – placement 12 October 2012	21,972,143	325,188	819,094	1,144,282
Share issue costs charged to share premium account	-	-	(1,175)	(1,175)
Shares issued at £0.015 – placement 8 April 2013	119,801,376	1,736,281	868,097	2,604,378
Share issue costs charged to share premium account	-	-	(66,531)	(66,531)
Shares issued at £0.03 – placement 14 June 2013	8,200,000	133,332	266,668	400,000
Shares issued at £0.038 – Conversion of convertible redeemable preference shares 28 June 2013	1,110,000	18,253	-	18,253
Ordinary shares of 1p at 30 June 2013	553,354,342	9,361,755	66,418,526	75,780,281

	No. of Shares	Nominal Value \$	Share Premium \$	Total \$
Ordinary shares of 1p each at 30 June 2013	553,354,342	9,361,755	66,418,526	75,780,281
Shares issued at £0.13 – bonus shares issued 6 September 2013	700,000	11,944	143,331	155,275
Shares issued at £0.075 – placement 24 September 2013	49,840,967	856,815	5,569,301	6,426,116
Shares issue costs charged to share premium account	-	-	(322,506)	(322,506)
Shares issued at £0.11 – Cornerstone Capital Resources Inc shares as part consideration for SolGold moving to 85% ownership of Exploraciones Novomining S.A.	488,560	8,996	90,579	99,575
Shares issued at £0.09 – placement 24 March 2014	47,769,333	867,014	6,936,107	7,803,121
Shares issue costs charged to share premium account	-	-	(400,353)	(400,353)
Ordinary shares of 1p at 30 June 2014	652,153,202	11,106,524	78,434,985	89,541,509

Potential issues of ordinary shares

At 30 June 2014 the Company had 33,920,000 options outstanding for the issue of ordinary shares, as follows:

Options

Share options are granted to employees under the company's Employee Share Option Plan ("ESOP"). The employee share option plan is designed to align participants' interests with those of shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17 CAPITAL AND RESERVES (continued)

Options (continued)

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately. The Company prohibits key management personnel from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2014
28 June 2012*	12 months from date of grant	23 July 2015	£0.14	1,250,000	250,000
28 June 2012*	12 months from date of grant	23 July 2015	£0.28	1,250,000	250,000
28 September 2012**	Exercisable immediately and will expire 12 months from allotment date	19 August 2014	£0.06	3,000,000	3,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	6 September 2017	£0.14	3,000,000	3,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	6 September 2017	£0.28	5,000,000	5,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	6 September 2017	£0.50	8,000,000	8,000,000
15 July 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	15 July 2016	£0.14	1,250,000	1,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	15 July 2016	£0.28	2,250,000	2,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	15 July 2016	£0.50	4,000,000	4,000,000
24 September 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	24 September 2016	£0.14	3,250,000	3,050,000
24 September 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	24 September 2016	£0.28	3,250,000	3,050,000
24 September 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	24 September 2016	£0.50	820,000	820,000
				36,320,000	33,920,000

* The options were granted for accounting purposes on 28 June 2012, following approval at the AGM and formally issued on 23 July 2012.

** The options were granted for accounting purposes 28 September 2012, following approval at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

***The options were granted for accounting purposes on 10 May 2013, following approval at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17 CAPITAL AND RESERVES (continued)

Convertible Redeemable Preference Shares

Convertible redeemable preference shares are granted under the Company's Employee Share Plan, which is designed to enable the Company to secure and retain skilled and experienced personnel on appropriately incentivised terms.

A convertible redeemable preference share ("CRPS") will be issued at 1p each. Each CRPS will entitle the identified employees upon achievement of certain performance criteria, to convert the CRPS into one ordinary share, and such employees will in addition be entitled to subscribe for further ordinary shares, granting the employees, in total (following conversion and exercise of the subscription rights), 1000 ordinary shares per converted CRPS. The performance criteria in each instance have been structured to focus on performance in areas including project operational deliverable, share price and corporate performance, and are aligned with delivering shareholder growth.

A total of 10,700 CRPS were granted following approval at the AGM on 28 June 2012 and formally issued on 23 July 2012. The CRPS have an issue price of 1p each and the underlying ordinary shares had a price of 3.30p each, calculated as the volume weighted average trade price of each ordinary share for the 5 trading days immediately prior to the day upon which the CRPS were issued.

The issue of CRPS has been treated as an option grant in accordance with IFRS 2, *Share Based Payments*. In line with IFRS 2, *Share Based Payments*, the related expense for the CRPS is recorded from the date of grant through to when the performance criteria have been met.

Convertible Redeemable Preference Shares	2014 Number of CRPS	2013 Number of CRPS
Opening balance	-	-
Granted during the year	-	10,700
Converted to ordinary shares during the year	-	(1,410)
Cancelled during the period	-	(9,290)
Closing balance	-	-

During the prior year, 1,410 CRPS' were issued on meeting certain performance milestones and subsequently, the remaining CRPS' were cancelled. There were no CRPS' issued during the year ended 30 June 2014.

Warrants

There were no warrants outstanding as at 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17 CAPITAL AND RESERVES (continued)

Share options issued

On 28 September 2012, the company entered into an agreement to grant 3,000,000 unlisted options to Mather Investments (Qld) Pty Ltd (as Trustee), an entity associated with Nicholas Mather, a director of SolGold, pursuant to an Underwriting Agreement in connection with the Company's successful placement of AUD\$3,000,000. The Options are exercisable at £0.06 each, and will expire 12 months from their allotment date. The allotment date was 19 August 2013, the date at which approval was obtained by shareholders at the AGM.

On 10 May 2013, the company entered into an agreement to grant 16,000,000 unlisted options to Alan Martin on his appointment as Chief Executive Officer. The share options were approved at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013. The options have a life of 4 years. The terms of the share options are as follows:

- 3 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 5 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 8 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 15 July 2013, the company entered into an agreement to grant 7,000,000 unlisted options to Chief Geologist, Bruce Rohrlach. The options have a life of 3 years. The terms of the share options are as follows:

- 1.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 2.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 4 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 24 September 2013, the company entered into an agreement to grant 7,320,000 unlisted options to certain employees, under its employee share option plan. The options have a life of 3 years. The terms of the share options are as follows:

- 3.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 3.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 0.82 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 17 CAPITAL AND RESERVES (continued)

Dividends

The Directors do not recommend the payment of a dividend (2013: nil).

Capital Management

Given the nature of the group's current activities the entity will remain dependant on equity funding in the short to medium term until such time as the group becomes self-financing from the commercial production of mineral resources.

NOTE 18 FINANCE LEASE LIABILITIES

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Minimum lease payments				
- Due within one year	-	11,084	-	-
- Between one and two years	-	11,084	-	-
- Between two and five	-	4,619	-	-
- Later than five years	-	-	-	-
Total minimum lease payments	-	26,787	-	-
- Future finance charges	-	(3,211)	-	-
Lease liability	-	23,576	-	-
- Current Liability due within one year	-	9,148	-	-
- Non-current liability due between one and five years	-	14,428	-	-

Lease liabilities are secured over the assets to which they relate. During the year ended 30 June 2014, the remaining finance leases were settled in full.

NOTE 19 TRADE AND OTHER CURRENT PAYABLES

	Group 2014 \$	Group 2013 \$	Company 2014 \$	Company 2013 \$
Current				
Trade payables	291,409	158,107	260,817	149,013
Other payables	413,434	160,941	85,433	89,359
Accrued expenses	82,458	110,805	82,458	105,405
	787,301	429,853	428,708	343,777

NOTE 20 EMPLOYEE BENEFITS

Share-based payments

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of options 2013
Outstanding at the beginning of the year	£0.37	25,372,000	£0.45	12,972,000
Lapsed during the year	£0.47	(9,272,000)	£0.38	(3,600,000)
Granted during the year	£0.31	14,820,000	£0.36	16,000,000
Exercised during the year	-	-	-	-
Outstanding at the end of the year	£0.34	30,920,000	£0.37	25,372,000
Exercisable at the end of the year	-	-	£0.21	1,000,000

The options outstanding at 30 June 2014 have an exercise price of £0.14 - £0.50 (2013: £0.14 - £0.50) and a weighted average contractual life of 2.42 years (2013: 2.81 years).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 20 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

Share options held by Directors are as follows:

Share options held	At 30 June 2014	At 30 June 2013	Option Price	Exercise Period
Alan Martin	3,000,000	-	14p	19/08/13 – 19/08/17
	5,000,000	-	28p	19/08/13 – 19/08/17
	8,000,000	-	50p	19/08/13 – 19/08/17
Nicholas Mather	-	1,200,000	50p	31/05/12 – 30/05/14
	3,000,000	-	6p	19/08/13 – 19/08/14
Brian Moller	-	880,000	50p	31/05/12 – 30/05/14
Robert Weinberg	-	880,000	50p	31/05/12 – 30/05/14
John Bovard	-	880,000	50p	31/05/12 – 30/05/14

The total number of options outstanding at year end is as follows:

Share options held at 30 June 2014	Share options held at 30 June 2013	Option price	Exercise periods
-	4,532,000	£0.50	29/04/12 – 28/04/14
-	3,840,000	£0.50	31/05/12 – 30/05/14
250,000	500,000	£0.14	28/06/13 – 28/06/15
250,000	500,000	£0.28	28/06/13 – 28/06/15
3,000,000	3,000,000	£0.06	6/09/13 – 19/08/14
3,000,000	3,000,000	£0.14	Vesting from 30 day VWAP of 20p to 06/09/2017
5,000,000	5,000,000	£0.28	Vesting from 30 day VWAP of 40p to 06/09/2017
8,000,000	8,000,000	£0.50	Vesting from 30 day VWAP of 80p to 6/09/2017
1,250,000	-	£0.14	Vesting from 30 day VWAP of 20p to 15/07/2016
2,250,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 15/07/2016
4,000,000	-	£0.50	Vesting from 30 Day VWAP of 80p to 15/07/2016
3,050,000	-	£0.14	Vesting from 30 Day VWAP of 20p to 24/09/2016
3,050,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
820,000	-	£0.50	Vesting from 30 Day VWAP of 80p to 24/09/2016
33,920,000	28,372,000		

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. This estimate is based on either a Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 20 EMPLOYEE BENEFITS (continued)

Share-based payments (continued)

Fair value of share options and assumptions	2013			
	£0.50 Options 10 May 2013	£0.28 Options 10 May 2013	£0.14 Options 10 May 2013	£0.06 Options 28 September 2013
Number of options	8,000,000	5,000,000	3,000,000	3,000,000
Fair value at issue date	£0.00000	£0.00003	£0.00014	£0.022
Exercise price	£0.50	£0.28	£0.14	£0.06
Expected volatility	127.46%	127.46%	127.46%	127.46%
Option life	4.00 years	4.00 years	4.00 years	1.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	0.91%	0.91%	0.91%	0.68%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes

Fair value of share options and assumptions	2014					
	£0.50 Options 15 July 2013	£0.28 Options 15 July 2013	£0.14 Options 15 July 2013	£0.50 Options 24 Sept 2013	£0.28 Options 24 Sept 2013	£0.14 Options 24 Sept 2013
Number of options	4,000,000	2,250,000	1,250,000	820,000	3,050,000	3,050,000
Fair value at issue date	£0.0001	£0.0012	£0.0043	£0.001	£0.003	£0.011
Exercise price	£0.50	£0.28	£0.14	£0.50	£0.28	£0.14
Expected volatility	127.46%	127.46%	127.46%	113.24%	113.24%	113.24%
Option life	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	1.28%	1.28%	1.28%	1.62%	1.62%	1.62%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

The calculation of the volatility of the share price was based on the Company's daily closing share price over the two-year period prior to the date the options were issued.

NOTE 21 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

If required, the Board of Directors determines the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign currency risk and liquidity risk, each of which is discussed below. The main credit risk is the non-collection of loans and other receivables which include, refunds and tenement security deposits. There were no overdue receivables at year end.

There have been no changes in financial risks from the previous year.

During the year ended 30 June 2014 or 2013 no trading in commodity contracts was undertaken.

Foreign currency risk

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations which require funds to be maintained in currencies other than the functional currency of operation; and
- Translational exposures in respect of investments in overseas operations which have functional currencies other than Australian dollars.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 21 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) (continued)

Currency risk in respect of non-functional currency expenditure is reviewed by the Board.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the Group functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the statement of comprehensive income.

	Group 2014 \$	Group 2013 \$
Solomon Island dollar (SBD)	9,226	13,366
United States dollar (USD)	323,621	-
	332,847	13,366

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD) and United States dollar (USD). A 10% change in the SBD/A\$ and USD/A\$ exchange rates would give rise to a change of approximately \$33,285 (2013: \$1,337) in the Group net assets and reported earnings. In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

The company did not have any monetary assets and liabilities in currencies other than the company functional currency.

Credit Risk

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. At 30 June 2014, the Group had \$543,628 in cash accounts with Macquarie Bank Limited in Australia, \$22,116 in cash accounts with the ANZ Bank in Australia, \$3,648,638 in cash accounts with Westpac Bank in Australia, \$3,773 in cash accounts with the ANZ Bank in Honiara, Solomon Islands, \$2,547 in cash accounts with Westpac Banking Corporation in Honiara, Solomon Islands, \$323,621 in cash accounts with Banco Pichincha in Ecuador and \$2,906 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was \$5,647,069 (2013: \$1,191,512).

Liquidity risks

The Group and Company raises funds as required on the basis of budgeted expenditure for the next 12 to 24 months, dependent on a number of prevailing factors. Funds are generally raised in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time. When funds are sought, the Group balances the costs and benefits of equity financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. The Group deals with banks with high credit ratings assigned by international credit rating agencies. Funds are provided to local sites weekly, based on the sites' forecast expenditure. The maturity profile of the Group's non-current financial liabilities is disclosed in note 18.

Interest rate risks

The group's and company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The increase/decrease of 2% in interest rates will impact the group's income statement by a gain/loss of \$90,945 and the company's income statement by \$83,181. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

Fair values

In the Directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments. The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in notes to the accounts.

All the group's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 22 COMMITMENTS

The Company also has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

The combined commitments of the Group related to its granted tenement interests are as follows:

Location	Up to 12 Months	13 Months to 5 Years	Later than 5 Years
Ecuador	951,769	-	-
Solomon Islands	853,819	-	-
Queensland	838,752	134,334	-
	2,644,340	134,334	-

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

NOTE 23 RELATED PARTIES

(a) Group

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Transactions with Directors and Director-Related Entities

- (i) The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2014 \$153,750 was paid or payable to Samuel (2013: \$143,750). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$nil (2013: \$11,250).
- (ii) The Company has a long-standing commercial arrangement with DGR Global Ltd, an entity associated with Nicholas Mather (Director) and Brian Moller (Director), for the provision of various services, whereby DGR Global provides resources and services including the provision of its administration and exploration staff, its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ("Services"). In consideration for the provision of the Services, the Company shall reimburse DGR Global for any expenses incurred by it in providing the Services. For the year ended 30 June 2014 \$264,000 was paid or payable to DGR Global (2013: \$330,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$nil (2013: \$nil).
- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2014, Hopgood Ganim were paid \$89,039 (2012: \$362,086) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was \$16,730 (2013: \$18,988).

b) Share and Option transactions of Directors are shown under Notes 5 and 20.

(b) Company

The Company has related party relationships with its subsidiaries (see note 9), Directors and other key personnel (see Note 20).

All related party transactions are conducted at arm's length.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 23 RELATED PARTIES (continued)

Subsidiaries

The Company has an investment in subsidiaries balance of \$21,941,839 (2013: \$15,361,177). The transactions during the year have been included in Note 9. As the Company does not expect repayment of this amount and will not call payment until the subsidiary can adequately pay it out of working capital, this amount has been included in the carrying amount of the investment in the Parent Entity's statement of financial position.

(c) Controlling party

In the Directors' opinion there is no ultimate controlling party.

NOTE 24 ACQUISITIONS

Exploraciones Novomining S.A.

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and effectively was able to govern the financial and operating policies of Exploraciones Novomining S.A. on that date. SolGold plc had previously treated its investment in Exploraciones Novomining S.A. as an investment accounted for using the equity method. The following table shows the assets acquired and liabilities assumed at acquisition date.

Identifiable assets and liabilities

	Acquiree's carrying amount	Fair Value
	\$	\$
Cash	13,901	13,901
Other receivables and prepayments	25,835	25,835
Intangible assets - exploration expenditure	917,676	3,097,086
Property, plant and equipment	6,425	6,425
Other noncurrent assets	74,263	74,263
Trade and other payables	(323,159)	(323,159)
	714,941	2,894,351
Less: Non-controlling interest		(357,471)
Identifiable assets acquired and liabilities assumed		2,536,880

On 24 February 2014, SolGold further increased its interest in Exploraciones Novomining S.A. from 50% to 85%.

Guadalcanal Exploration Pty Ltd

On 18 April 2012, SolGold plc entered into a "Put and Call Option Agreement" with Guadalcanal Exploration Pty Ltd. Under the "Put and Call Option Agreement", SolGold can elect to purchase the shares of Guadalcanal Exploration Pty Ltd at any time during the option period, resulting in SolGold having the potential to govern the financial and operating policies of Guadalcanal Exploration Pty Ltd. The following table shows the assets acquired and liabilities assumed at acquisition date.

Identifiable assets and liabilities

	Acquiree's carrying amount	Fair Value
	\$	\$
Cash	4,782	4,782
Intangible assets - exploration expenditure	963,885	963,885
Other assets	2,000	2,000
Trade creditors	(5,760)	(5,760)
Unsecured loans	(1,010,939)	(1,010,939)
	(46,032)	(46,032)
Less: Non-controlling interest		46,032
Identifiable assets acquired and liabilities assumed		-

On 30 June 2013, SolGold exercised its rights under the "Put and Call Option Agreement" and acquired the shares of Guadalcanal Exploration Pty Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 25 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The key elements of the Statement of Financial Position that rely on the business judgment of the Directors as related to their carrying value include the capitalised exploration expenditure, and the business combination (also largely reflected in the consolidated carrying value of exploration expenditure).

The Directors have carried out an assessment of the carrying values of deferred exploration costs and any required impairment.

Cascabel Joint Venture

Under the terms of the JV venture agreement, SolGold has met the agreed expenditure commitments and has earned a 85% participating interest in Exploraciones Novomining S.A. ("ENSA") at the date of this report (30% at 30 June 2013). Cornerstone Capital Resources Inc. will hold the other 15% of ENSA. ENSA is an Ecuadorean registered company which holds 100% of the Cascabel concession.

Exploration on the Cascabel concession has included: geological mapping, stream silt sampling, soil sampling, orientation soil sampling, rock chip sampling, channel sampling, Terraspec spectral sampling, a helimagnetic survey (which has been modelled in 3D), a radiometric survey, petrography, gridding in preparation for a 3D Induced Polarisation (IP) and magnetotelluric (MT) survey, diamond drilling and preparation for initial metallurgical testing. The regional exploration activity has identified six main prospects: Quebrada Alpala, Quebrada Moran, Quebrada's Tandayama and America, Rio Cachaco, Aguinaga and Chinambicito. The most significant of these is the Alpala prospect where six completed and a seventh partial drill hole have been drilled for a total combined meterage of 4,592m.

There has also been significant work conducted to fulfil the Cascabel Environmental Management Plan for the advance exploration phase (drilling). This has included, an Environmental Impact Study required for advanced stage exploration, a Community Relations Program, a Health Safety and Environment Program, the construction of a nursery (for rehabilitation), construction of the Alpala field camp to provide suitable living conditions for field staff and the establishment of the Rocafuerte field office.

The aggregate carrying value of \$8.69 million is considered to be unimpaired.

SolGold 100% owned Projects

Kuma PL 08/06

SolGold has retained the Kuma PL 08/06 prospect and has a 100% ownership. The project is at an early stage of exploration, which has included: geological mapping, rock chip sampling, stream sediment sampling, an airborne magnetic survey and initiation of both soil sampling and TerraSpec mineralogical mapping. This work has identified a lithocap, which are often found above mineralised porphyry complexes. A buried porphyry target at Kuma has the potential to deliver exploration success. There is currently insufficient exploration data to estimate the potential prospectivity of the tenement. The prospecting licence (PL 08/06) was renewed for a further term of two years commencing from 11 April 2013. The carrying value of \$0.2 million is considered to be unimpaired.

Fauro PL 12/09

Exploration on the island of Fauro is at an early stage and the airborne surveying, mapping and sampling phase of the program of testing of the key targets has resulted in the identification of extensive mineralised complexes which show potential to yield significant gold and copper occurrences. Initial drilling commenced and has defined several gold-copper targets. The company is actively seeking a JV partner to pursue drilling of gold-copper targets defined in the 2011/2012 exploration program. As no JV partner has been found to date, the carrying value of \$1.03 million (2013: \$12.82 million) is considered to be impaired and an impairment charge of \$1.03 million (2013: \$11.82 million) was recognised during the year ended 30 June 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

NOTE 25 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Lower Koloula PL 01/10

Exploration on the Lower Koloula tenement is at a very early stage. Work has included stream sediment sampling, rock chip sampling, soil sampling, an airborne magnetic survey and geological mapping. Two mineral prospects: Big Frog and Pepechichi, have been identified from the geochemical surveys, while further potential targets have been interpreted from the magnetic data. As no additional exploration work is planned, the carrying value of \$0.87 million is considered to be impaired and an impairment charge of \$0.87 million was recognised during the year ended 30 June 2014. The company is seeking a JV partner to pursue exploration at Lower Koloula.

Malakuna PL 02/10

Exploration on the Malakuna tenement is at a very early stage. An interpretation of the magnetic data has identified numerous potential targets and is waiting to be followed up with geochemical surveys and geological mapping. As no additional exploration work is planned, the carrying value of \$0.27 million is considered to be impaired and an impairment charge of \$0.27 million was recognised during the year ended 30 June 2014. The company is seeking a JV partner to pursue exploration at Malakuna.

Acapulco Mining Projects

Acapulco has seven granted tenements and one application across Queensland. The granted tenements comprise of 226 sub-blocks (circa 718km²) and 108 sub-block (circa 343km²) application.

Extensive airborne magnetic and electromagnetic surveys have been conducted over some of the tenements, together with detailed stream sediment sampling, soil sampling, rock chip sampling and geological mapping programs. Furthermore, since May 2006 a total of 283 holes, equivalent to 24,377.8m have been drilled on the tenements.

The objective has been to step-out from areas of known gold mineralisation so that resources can be defined and enlarged, with the objective of defining a maiden resource. The Company is seeking a joint venture partner to further progress these projects.

The aggregated carrying value of \$8.97 million is considered to be unimpaired.

Central Minerals Projects

Central Minerals comprises of thirteen granted tenements and two applications. The granted tenements comprise of 279 sub-blocks (circa 886km²) and 205 sub-block applications (circa 651km²).

Extensive airborne magnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling, trenching, mapping programs and an induced polarisation geophysical survey. Since October 2007, a total of 473 holes, equivalent to 58,886.62m, have been drilled on the tenements.

On 23 May 2012, SolGold announced an updated indicated and inferred combined resource at Rannes at an 0.3 g/t Au cut-off of 18.7 million tonnes at 0.92 g/t gold equivalent (gold + silver) for 550,000 ounces of gold equivalent (296,700 ounces of gold and 10,139,000 ounces of silver; values rounded; see announcement dated 23 May 2012 for details of the resource statement and gold equivalent ratios). The resource at an 0.5 g/t Au cut-off is 12.23 million tonnes at 0.60g/t gold and 23.18g/t silver; for 237,240 ounces Au and 9,105,072 ounces Ag (using a gold to silver ratio of 1:50). Several other prospects exist that contain known gold mineralisation that has not yet been included in the resource estimate. The Company is seeking a JV partner to progress drilling on the Rannes project tenements.

The Central Minerals projects have a carrying value of \$3.59 million at 30 June 2014 and are considered to be unimpaired.

NOTES TO THE FINANCIAL STATEMENTS**For the year ended 30 June 2014****NOTE 26 CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets and liabilities at 30 June 2014 (2013: none).

NOTE 27 SUBSEQUENT EVENTS

On 8 July 2014, the Company issued 4,360,000 options to Directors. The options consist of two tranches with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 8 July 2017.

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

