SolGold

SolGold plc

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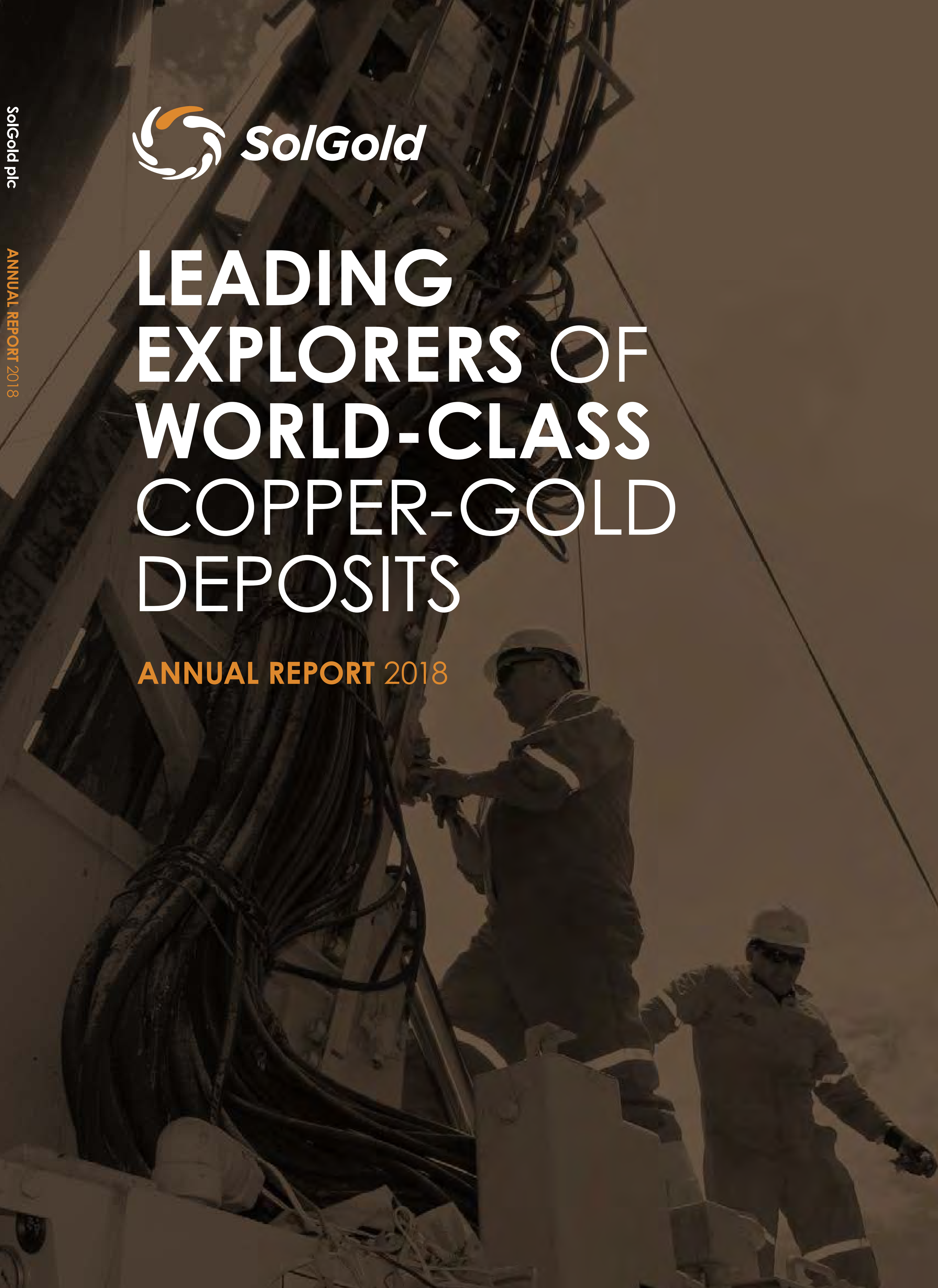
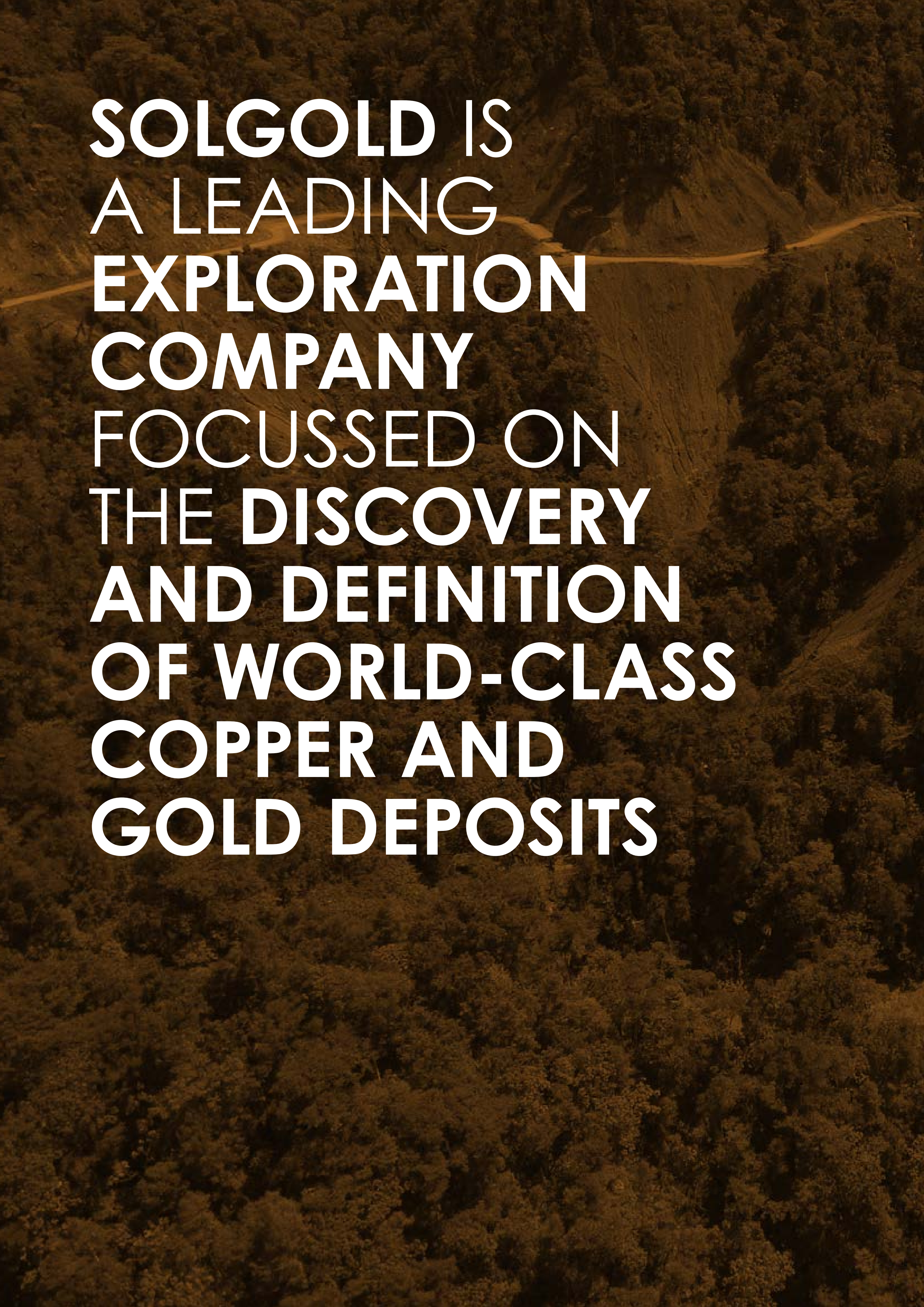
SolGold plc ANNUAL REPORT 2018



SolGold

LEADING EXPLORERS OF WORLD-CLASS COPPER-GOLD DEPOSITS

ANNUAL REPORT 2018



SOLGOLD IS A LEADING **EXPLORATION COMPANY** FOCUSSED ON THE **DISCOVERY AND DEFINITION OF WORLD-CLASS COPPER AND GOLD DEPOSITS**

CONTENTS

ABOUT US

Having utilised its first mover advantage SolGold is the largest and most active concession holder in Ecuador and is aggressively exploring the length and breadth of this highly prospective section of the Andean Copper Belt, home of multiple Tier 1 copper and gold projects and half of the world's copper resources

The Alpala discovery at the company's flagship majority-owned Cascabel project with its continuing 1km-plus copper-gold intersections, is the first of many. SolGold has already identified 10 priority projects which are now scheduled for exploration fast-track.

SolGold is building a new copper company, and it has the team, track record and resources to succeed.

PERFORMANCE HIGHLIGHTS

METRES DRILLED
84,423M
(2017: 44,500M)

CASH BALANCE
A$81.8 MILLION
(2017: A$89.3M)

5
INTERNATIONAL INDUSTRY AWARDS
(2017: 0)

TSX & LSE
MAIN MARKET LISTING

ALPALA
MRE

10
PRIORITY REGIONAL PROJECTS IDENTIFIED

SOLGOLD HAS THE **TEAM, TRACK RECORD** AND **RESOURCES** TO SUCCEED

AT A GLANCE

Headquartered in Brisbane, Australia SolGold has offices in London, England and Quito, Ecuador. The Company is listed on the London Main Board and Toronto Stock Exchange under the code 'SOLG'.

SolGold has a large portfolio of copper and gold projects in Ecuador, Australia and the Solomon Islands.

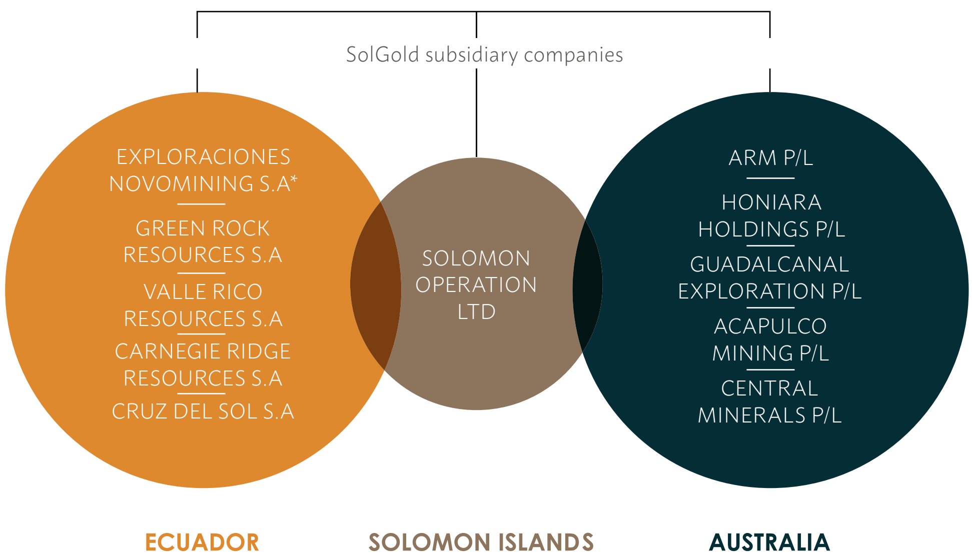
The Company's focus, since 2012, has been on the riches of the Andean Copper Belt in Ecuador. This year the Company announced its maiden mineral resource estimate from the Apala prospect on the Cascabel project in Northern Ecuador. SolGold has also identified 10 new priority projects from the 72 regional concessions.

SolGold has a highly experienced and significantly invested Board and throughout 2017 SolGold's management team was recognised as an example of excellence in the industry and continues to strive to deliver objectives efficiently and in the interests of shareholders.

SOLGOLD CORPORATE STRUCTURE

SolGold

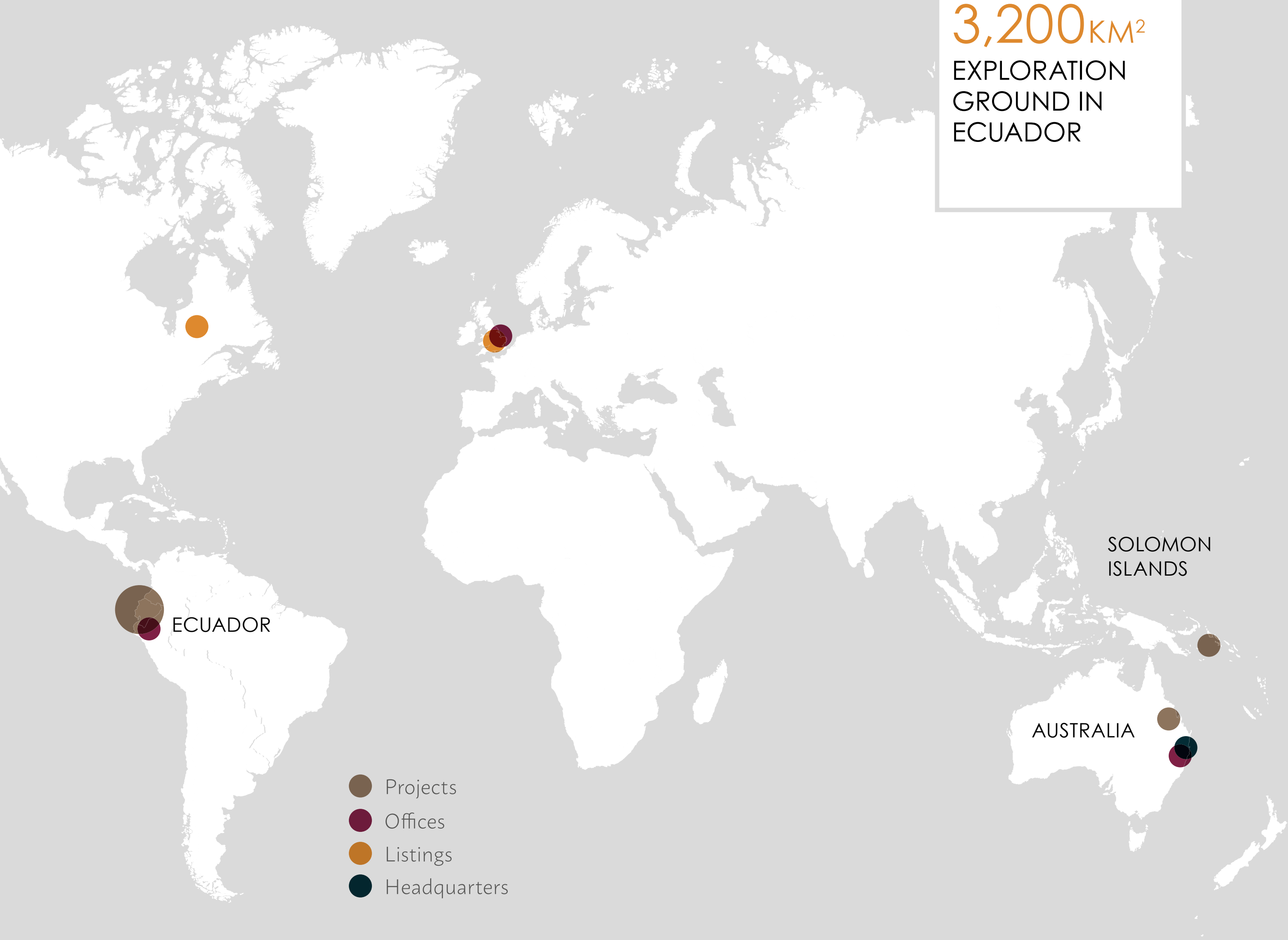
SolGold plc is the overall corporate entity of the business, listed on the London Stock Exchange and Toronto Stock Exchange



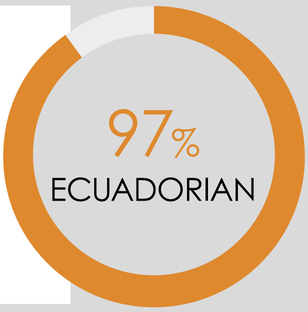
* 85% SolGold owned, All other subsidiaries 100% SolGold owned.

OUR BUSINESS

3,200 KM^2
EXPLORATION GROUND IN ECUADOR



450
EMPLOYEES



84
GEOLOGISTS

CHAIRMAN'S STATEMENT

BRIAN MOLLER
Non-Executive Chairman

"WITH A STRONG SHAREHOLDER BASE, DEDICATED AND FOCUSSED MANAGEMENT AND TECHNICAL TEAM, SOLGOLD IS WELL PLACED TO BOTH ADVANCE ITS ALPALA PROJECT ON A PATH TO DEVELOPMENT AND PROGRESS ITS PAN ECUADOREAN STRATEGY IN 2019."

4 x 100%
OWNED SUBSIDIARIES ESTABLISHED IN ECUADOR

DEAR SHAREHOLDERS

It has been a very busy year for SolGold. The past year has seen a significant acceleration of drilling at the Cascabel project, publication of our Maiden Mineral Resource Estimate for the Alpala prospect and the commencement of the Preliminary Economic Assessment. In addition to this we have started to see exciting results from our pan-Ecuadorian strategy. Our experienced regional teams have been able to rapidly review our multiple concessions and identify ten priority projects for SolGold to progress.

With its move to the London Stock Exchange Main List in October 2017 and new Toronto Stock Exchange listing completed in July 2017, SolGold now has exposure to a wider variety of investors and access to strong capital markets in the UK and North America.

During the year SolGold was delighted to strengthen its board and management, welcoming James Clare, a well-known Canadian corporate and resources lawyer to its board and appointing Eduardo Valenzuela to oversee the preparation of the Preliminary Economic Assessment for Alpala.

SolGold published its maiden Mineral Reserve Estimate for Alpala in January 2018. The highlights include:

- estimate across both Indicated and Inferred classifications totals a current 1.08 Bt @ 0.68% CuEq (7.4 Mt CuEq) at 0.3% CuEq cut off, some 40% of which is in the Indicated category (by tonnage);
- contained metal content totals a current 5.2 Mt Cu and 12.3 Moz Au, some 45% of which is within the Indicated category (by contained metal);
- higher grade core has a current 120 Mt @ 1.8% CuEq (2.0 Mt CuEq) at a 1.1% CuEq cut off, some 60% of which is in the Indicated category (by tonnage); and
- a further 100 Mt @ 1.0% CuEq (1.0 Mt CuEq) is added to the high grade core if a 0.9% CuEq cut off is used, some 50% of which is in the Indicated category (by tonnage).

With further drilling of some 70,000m since then, SolGold has focussed on growing both the core resource and the high-grade zone at Alpala. It is well placed to provide a significant update to the maiden resource in Q4 2018. SolGold has also progressed work on an independent Preliminary Economic Assessment expected in Q1 2019. SolGold is investigating both high tonnage open cut and underground block caving operations, as well as a high grade / low tonnage initial underground development towards the economic development of the copper-gold deposit/s at Cascabel.

The last financial year has seen SolGold focus on its Pan Ecuadorean strategy. Work undertaken by SolGold's team has delineated and ranked regional exploration targets for the potential to contain world class copper-gold deposits. Through its four 100% owned subsidiary companies in Ecuador; Carnegie Ridge Resources S.A., Green Rock Resources S.A., Cruz del Sol S.A. and Valle Rico Resources S.A, some 72 mineral concessions over approximately 3,200km^2 have been secured giving SolGold the largest land holding in Ecuador. Ten major targets have been identified, including Blanca, Cisne Loja, La Hueca, Porvenir and Timbarra.

The past year has seen significant improvements to the mining industry and environment in Ecuador. SolGold is delighted to see significant reform, including overhauling the mining tax regime and removing a prohibitive windfall tax on foreign investment.

In 2017 these changes, efforts and improvements were recognised on an international stage with Ecuador winning Latin America Country Award for 2017 at Mines & Money Americas in Toronto and Most Innovative Country at Mines & Money London. President Lenin Moreno announced an economic plan in April 2018 which promotes private enterprise in infrastructure, oil, energy, mining and telecommunication sectors to generate US$7B of investment by 2021.

SolGold enjoys a strong financial position with some AUD$81.8 million in its treasury at the start of the new financial year.

With a strong shareholder base, dedicated and focussed management and technical team, SolGold is well placed to both advance its Alpala project on a path to development and progress its Pan Ecuadorean strategy in 2019.

I would like to extend my thanks to the Company's CEO Mr Nicholas Mather, my fellow Directors and the management team for their ongoing efforts in advancing the Company's projects in this past year and I look forward to delivering further news on the Company's continued progress.

Yours faithfully

BRIAN MOLLER
Chairman

OUR AWARDS

MINES AND MONEY TORONTO 2017

Ecuador
Country of the Year (Latin America)

Nick Mather
CEO of the Year SolGold (Latin America)

SolGold
Exploration Award (Latin America)

MINES AND MONEY AWARDS LONDON 2017

SolGold
Exploration Award

Nick Mather
CEO of the Year SolGold

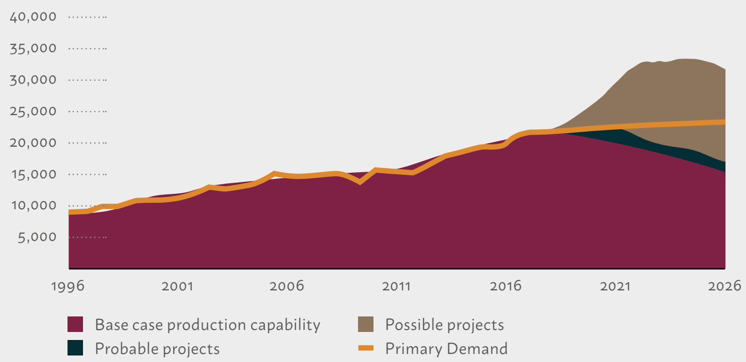
Ecuador
Country of the Year

MINES AND MONEY ASIA 2018

Nick Mather
Exploration Mining Executive of the Year SolGold

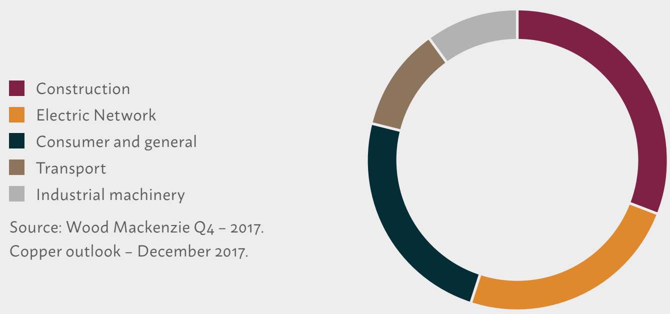
OUR MARKET

GLOBAL SUPPLY AND DEMAND ('000 TONNES)



Source: Wood Mackenzie Q4 – 2017. Copper outlook – December 2017.

COPPER DEMAND BY SECTOR



Source: Wood Mackenzie Q4 – 2017.
Copper outlook – December 2017.

COPPER

SUPPLY IS FORECAST TO STRUGGLE TO MEET GROWING DEMAND OVER THE LONG TERM

Global demand for copper is the highest it has ever been, driven by urbanisation, infrastructure development and technology, and steady growth is anticipated to continue.

Conversely, the limited project pipeline, declining grades, and more challenging mining conditions point to supply constraints.

DEMAND

FUNDAMENTAL TO MANY INDUSTRIES

The properties of copper – high electrical and thermal conductivity, malleability, ductility and corrosion resistance – make the metal a vital element in applications such as power generation and transmission, electric motors, consumer electronics, air conditioning systems and refrigerators.

Consequently the metal is used in diverse applications, with construction, electrical networks and domestic appliances key sectors for the metal. Transport currently accounts for more than 10% of demand.

DEMAND UNDERPINNED BY GLOBAL MEGATRENDS AND TECHNOLOGY SHIFTS

Global trends of urbanisation and economic development have been core drivers of copper consumption, with the associated construction of new buildings, electricity and telecommunications infrastructure, and rising demand for vehicles, electronic devices and other consumer durables. While it is difficult to isolate the contribution of urbanisation to demand for copper, there is a correlation between GDP per capita and demand for metals used in infrastructure and consumer goods. China alone accounted for almost half of refined copper demand in 2017, although an estimated 15–25% of Chinese consumption is re-exported as finished products.

The shift to renewable energy sources and more sustainable transportation solutions has opened up new opportunities for copper, whose characteristics are valuable to solar power systems, wind turbines, electric vehicles and battery storage.

ECUADOR HAS ATTRACTED **$1.3 BILLION IN INVESTMENT COMMITMENTS** FOR NEW EXPLORATION

"

AS ECUADOR LOOKS TO RAPIDLY ESTABLISH A LARGE-SCALE MINING INDUSTRY THE MINISTRY HAS ALSO REFORMED THE EXPLORATION PROCESS."

COPPER SUPPLY DEFICIT OF

3/4

OF CURRENT SUPPLY BY 2035

LESS THAN

10%

OF ECUADOR'S TERRITORY HAS BEEN EXPLORED

Used in the vehicles and well as in the charging networks, up to 80–85kg of copper is used per electric vehicle, four times as much as in a vehicle powered with an internal combustion engine. Annual copper consumption from electric vehicles is forecast to be c. 1.7 million tonnes by 2027. In 2017 demand from the sector was 185,000 tonnes.

The ease of recycling copper – with metal produced from scrap requiring as little as 10% of the energy needed to produce it from ore – makes the material all the more attractive to users.

SUPPLY

TIGHTENING MARKET

There is an urgent need for more copper discoveries, since there could be a supply deficit of around three quarters of current supply by 2035, according to mining consultancy CRU. Having reduced exploration budgets to cut costs in the down-cycle, major mining companies now have sizeable exploration budgets and are more willing to back promising junior exploration projects. Despite exploration budgets reaching record highs, however, the number of significant copper discoveries has dwindled.

FUNDAMENTAL FACTORS UNDERPINNING LONGER-TERM PRICE FORECASTS

Notwithstanding short-term fluctuations, in the longer-term, analysts predict that copper prices will be buoyed by the fact that the metal is becoming more difficult and expensive to mine. Consumption continues to increase, and, since the easy to access deposits have been mined, production must shift to the more difficult, large, low-grade deposits to meet demand.

Although Chinese demand is expected to grow by 3.3% in 2018, there are indications of softening in the country's infrastructure and property sectors, with an escalation of the trade war with the US another important influence. Nevertheless, analysts forecast that China will remain the primary contributor to growth in copper demand through 2030.

GOLD

GOLD CONTINUES TO PLAY A KEY ROLE AS A RISK-DIVERSIFIED INVESTMENT ASSET

Considered a safe haven investment, the price of gold has traditionally been impacted by geopolitical and macroeconomic events and their associated effect on currency markets.

This era of elevated geopolitical and economic risk – including a US/China trade war, populism in the Eurozone and currency issues in several emerging markets - would tend to support demand for gold, yet pricing activity over the past year indicates that the traditional 'geopolitical risk hedge' relationship has broken, since the global economy remains in a cyclical upturn and there has been a dollar rally. However, according to the World Gold Council's report, Gold 2048, as the use of gold across energy, healthcare and technology continues to change rapidly, gold's position as the material of choice is expected to continue and evolve over the coming decades. This shift, combined with the expanding middle class in China and India will have a significant impact on gold demand.

ECUADOR

Attractive investment conditions, underpinned by its geology and a government that is keen to support the mining sector.

RICH GEOLOGY

Ecuador lies on the northern section of the Andean Copper Belt which stretches from Chile through Peru, Ecuador, Colombia and north-west to Panama, and which yields approximately half of the world's annual copper production. The Andean Copper Belt hosts many of the world's largest porphyry copper and gold mines, including Escondida, Chuquicamata and Collahuasi in Chile. Less than 10% of the territory has been explored, but, over the last four years, Ecuador has attracted $1.3 billion in investment commitments for new exploration from mining companies, and there have been world-class discoveries of both copper and gold.

FAVOURABLE INVESTMENT CONDITIONS

Politically stable, Ecuador's economy has hitherto been dependent on oil revenues, resulting in growing GDP per capita as well as investment in infrastructure. The decline in oil reserves coupled with falling oil prices led to a greater focus on the mining industry as part of a push to diversify the economy, however. Mining is on track to become the second pillar of Ecuador's economy, and the goal is that the sector will account for more than 4% of GDP by 2021.

The government is committed to the development of a best practice, responsible mining sector by providing attractive and fair investment conditions to encourage the world's best mining companies to the country. Since the Mines Ministry (now the Ministry of Oil, Mining and Energy) was established in 2015, there have been significant improvements to the regulatory landscape through tax reform and incentives. A major milestone was achieved this year with the removal of the windfall tax. The windfall tax was levied at 70% based upon the difference between the sale price of the metal extracted from the ground and best price established in the Mining Exploitation Contracts and applied only to large mines in full-scale production.

The well documented biodiversity of Ecuador means that this consideration must sit at the heart of any mining activity. Holders of mining concessions are required to obtain environmental licenses, and to compile impact assessments and environmental management plans, adhering to associated guarantees and audit requirements. The government plans to reform environmental legislation to better reflect the realities of industrial-scale mining, however, with the aim of streamlining the permitting process, enabling more efficient and optimised control, and developing voluntary environmental certifications for companies conforming to best practice.

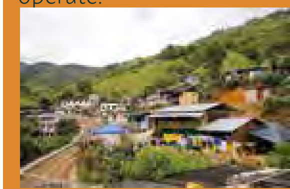
As Ecuador looks to rapidly establish a large-scale mining industry the Ministry has also reformed the exploration process, allowing mining companies to more quickly identify prospective concessions by the allowance of reconnaissance, or "scout", drilling during the four-year initial exploration phase.

The industry will be supported by plans for on-going investment in the infrastructure (roads, ports, energy) and skills required by the mining industry, as well as a commitment to engage with local communities and to reinvest royalties in social projects.

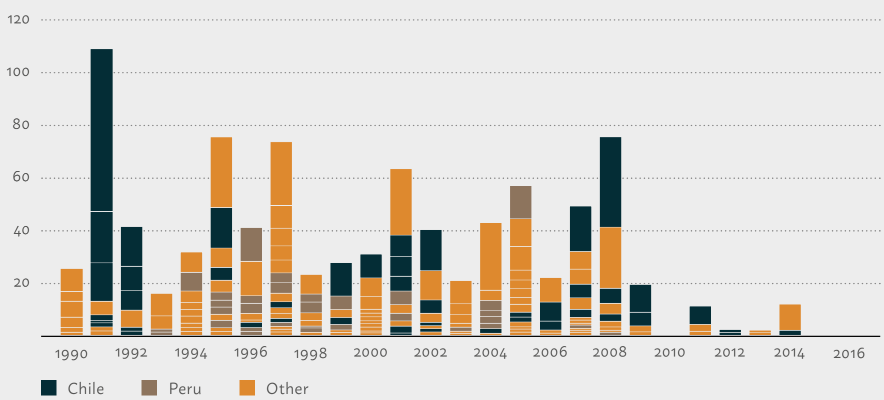
OUR SUSTAINABLE APPROACH

10 PERSON COMMUNITY RELATIONS TEAM

SolGold places the highest importance in creating and maintaining open, respectful, proactive and productive relations within all the community in which we operate.



MAJOR COPPER DISCOVERIES – CU IN RESERVES & RESOURCES (MT)[1]



1. A major discovery is defined as a deposit with at least 500kt of copper in combined reserves, resources and past production
2. Year when discovery hole was drilled.

Source: S&P Global Market Intelligence, BCG analysis.

A ROAD MAP FOR DEVELOPMENT

2006
Solomon Gold lists on LSE AIM

2007
High grade gold discovery in Solomon Islands

2009
Acquisition of Mount Perry & Rannes projects in Queensland

2012
Company name changed to SolGold and agreement signed with TSX-V listed Cornerstone Capital Resources for Cascabel project, Northern Ecuador

2013
Ownership of ENSA increased from 30% to 50% and drilling commenced at Alpala prospect at the Cascabel project

2015
Ownership of ENSA increased from 50% to 85%

2016
Newcrest Mining makes initial US$23M investment for 10% of SolGold and SolGold enters the FTSE AIM 50

May 2017
SolGold unveils Pan Ecuadorian strategy, creating four 100% subsidiaries

July 2017
SolGold lists on the Toronto Stock Exchange

October 2017
SolGold graduates to the London Stock Exchange Main Board

January 2018
Maiden Mineral Resource Estimate for Alpala prospect published

March 2018
Drilling commences at Aguinaga prospect at the Cascabel project

July 2018
10 priority projects identified across Ecuador in regional exploration program

September 2018
BHP invests US$35M for 6.1% of SolGold

INVESTMENT CASE

SolGold presents a unique investment opportunity that offers a clear path to cash flow in addition to considerable long-term exploration upside.

EXPERIENCED TEAM

Strongly invested Board and management team, and award-winning exploration team with unrivalled experience in the region.

6%
BOARD SHAREHOLDING

ECUADOR'S OPPORTUNITY

A four year first mover advantage in Ecuador has allowed SolGold to build a substantial and unrivalled portfolio across the country.

3,200KM^2
OF EXPLORATION UPSIDE

FUTURE PLANS

2018
Updated Mineral Resource Estimate for Alpala prospect, Cascabel project

2019
Preliminary Economic Assessment for the Cascabel project

2019
Drilling to commence on selected projects for the 10 priority projects identified

A WORLD-CLASS PROJECT

Cascabel, our flagship project, has delivered world-class intersections of continuous copper and gold mineralisation. Its location and infrastructure deliver CAPEX advantages and a proposal to block cave mine to deliver OPEX savings.

PAGE 22

PAN-ECUADORIAN STRATEGY

72 carefully selected concessions which are perceived (by SolGold) to be the most prospective areas granted across Ecuador 100% owned in four subsidiaries: Carnegie Ridge Resources, Green Rock Resources, Cruz Del Sol S.A. and Valle Rico Resources.

10 PRIORITY
PROJECTS IDENTIFIED

FUNDED FOR THE FUTURE

Strong cash balance to deliver significant resource expansion at Cascabel and advance regional exploration strategy.

A$81.8MILLION
CASH IN BANK

OUR BUSINESS MODEL

The exploration of copper and gold is core to our business model. We generate value by discovering and defining world-class projects. We maximise funds using an established systematic and disciplined approach to exploration targeting grass roots opportunities to ensure low cost entry in to projects. Our vision is to become a leading copper and gold miner underpinned by our exceptional portfolio of project options.

EXPLORATION

Utilise our highly experienced team and our first mover advantage in Ecuador to identity multiple potential world-class copper and/or gold projects.

3,200KM^2

OF EXPLORATION UPSIDE

PAGE 22

INNOVATION TECHNIQUES

Utilise technology to limit environmental footprint, maximise funds and minimise costs.

OPERATION

Maximise value by returning a portion of profits to develop a pipeline of projects to form a unique portfolio.

10 PRIORITY

PROJECTS IDENTIFIED

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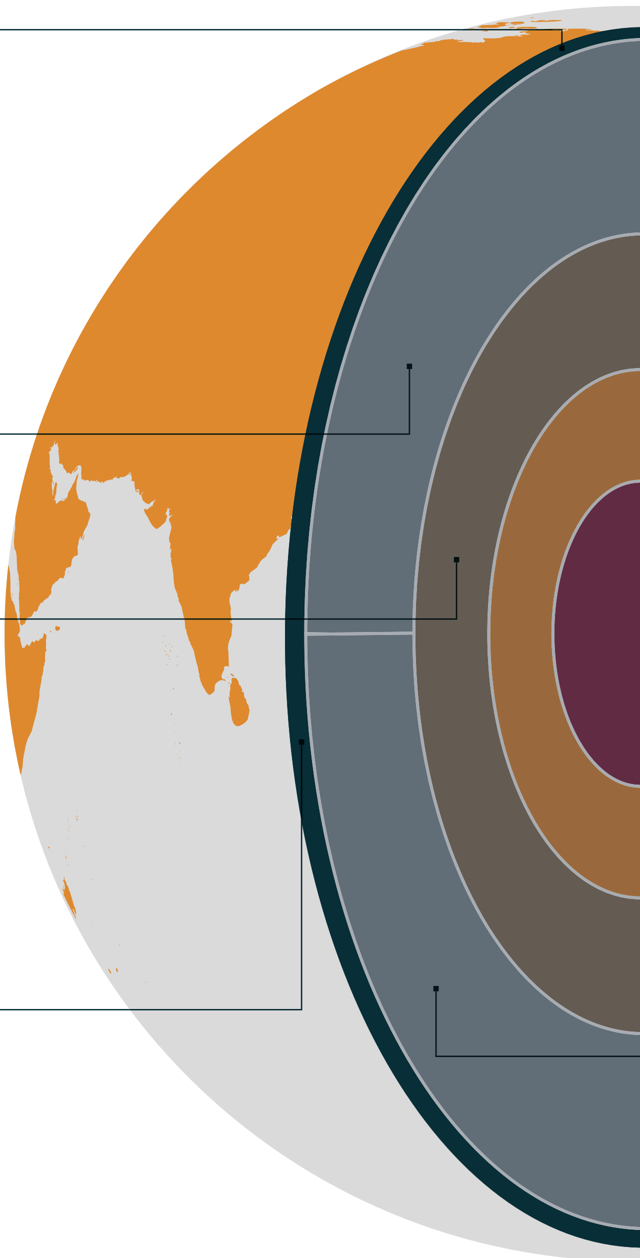
FINANCIAL STRENGTH

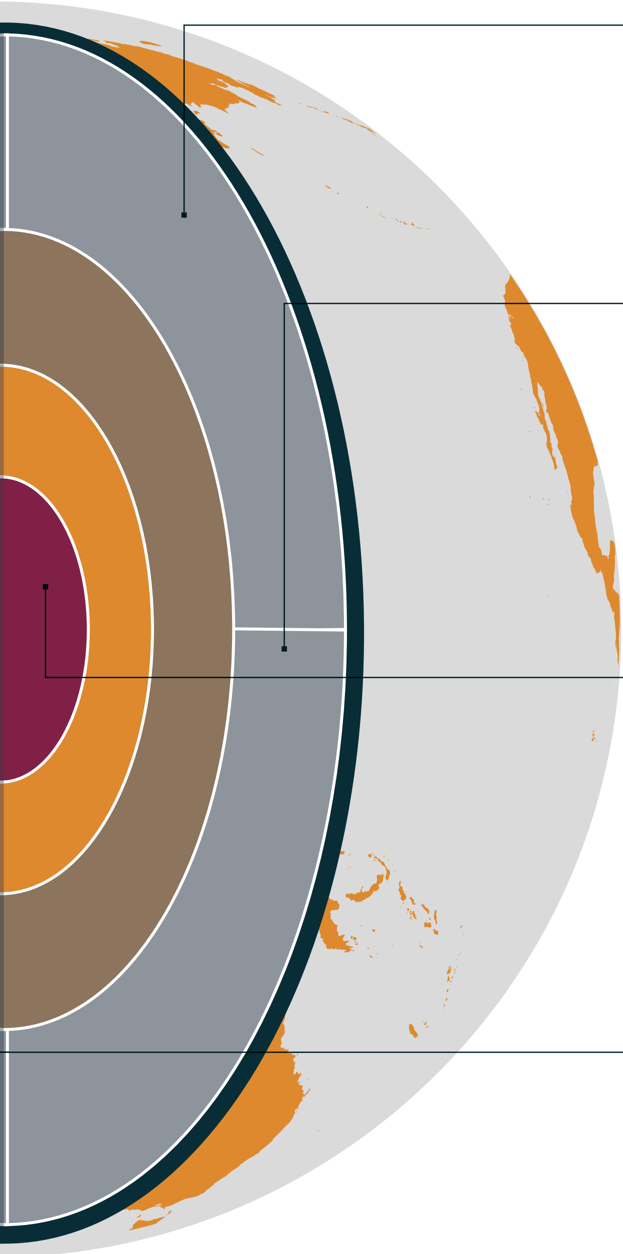
Secure control and longevity through shareholder support.

A$81.8MILLION

CASH BALANCE

PAGE 38





STAKEHOLDER SUPPORT

Invest in and safeguard relationships with communities, employees, governments and shareholders.

450

EMPLOYEES

DEVELOPMENT

Deliver growth by initially developing low capex, high value projects.

4 x 100%

OWNED SUBSIDARIES ESTABLISHED IN ECUADOR

PAGE 06

EXPERIENCED TEAM

Create a culture of creativity and productivity through ownership and transparency.

6%

BOARD SHAREHOLDING

PAGE 50

OUR SUSTAINABLE APPROACH

Ensuring and protecting our social licence to operate completes our sustainable business model.

40,000

PLANTS GROWN EACH YEAR

PAGE 46

DELIVERING ON OUR STRATEGY

JASON WARD
Exploration Manager

> **"WHEN I FIRST ARRIVED IN ECUADOR, I WAS IMMEDIATELY IMPRESSED BY THE INFRASTRUCTURE AND THE LANDSCAPE."**

Following the early success at Cascabel a comprehensive, nation-wide desktop study was undertaken by SolGold's independent experts to analyse the available regional topographic, geological, geochemical and gravity data over the prospective magmatic belts of Ecuador, with the aim of understanding the controls to copper-gold mineralisation on a regional scale. SolGold has delineated and ranked regional exploration targets for the potential to contain world class copper-gold deposits.

As a result of this study, SolGold has formed and funded four new 100% owned subsidiary companies in Ecuador; Carnegie Ridge Resources S.A., Green Rock Resources S.A., Cruz del Sol S.A. and Valle Rico Resources S.A. The objective of these subsidiaries was to apply the exploration blueprint developed at Cascabel to discover more porphyry copper-gold deposits in Ecuador. Each subsidiary deals with a geographic region of Ecuador and the four subsidiaries combined currently hold 72 mineral concessions over approximately 3,200km^2.

First pass exploration work across these concessions has been very successful and resulted in the discovery of several targets which SolGold believes have the potential to become world class porphyry Copper-Gold or epithermal Gold Silver projects. SolGold has applied a ranking on these projects which identified the 10 highest priority projects as:

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

SolGold have applied for drilling permits on five of these concessions and is currently focussed on defining robust drill targets.

OUR SUCCESSFUL BLUEPRINT

SolGold is an emerging copper-gold major. The Company has created a blueprint to rapidly discover and develop a new mining district in Ecuador.

LOCATION

- The Andean Copper belt is renowned as the base for nearly half of the world's copper production.
- Ecuador is underexplored.
- The area hosts mineralisation of Eocene age, the same age as numerous Tier 1 deposits along the Andean Copper Belt in Chile and Peru to the south.

EXPERTISE

- Dr Steve Garwin, Chief Technical Advisor – porphyry expert.
- Jason Ward, Exploration Manager – Remote operations specialist with significant community and government engagement experience.
- Benn Whistler, Technical Services Manager – Data collection management and modelling expert.

EFFICIENCY

- Man-portable drill rigs allow drilling where access is constrained.
- Combination of man-portable rigs and track mounted rigs significantly reduces drill costs.

"When I first arrived in Ecuador, I was immediately impressed by the infrastructure and the landscape. At Cascabel I was impressed by the large alteration footprint and widespread veining and mineralisation and the Gold credits associated with copper mineralisation.

Speaking to Ecuadorian geologists and prospectors I was struck by just how little work had been done right across Ecuador.

We started generating projects in anticipation of the cadastre re opening in 2014 and got Steve Garwin involved to do a multi-dataset study to generate the areas with the best chance of finding a porphyry. We combined this with local expertise from our outstanding Ecuador geology team and came up with over 100 areas. Of these we currently hold 72 and are awaiting granting of some others.

I credit our rapid success in defining 10 key projects to two things. Firstly, our field teams, comprising geologists, social and community experts and environmental technicians, talent and hard work. Secondly, to the incredibly rich geology of Ecuador.

We have learnt a lot from Cascabel and having 72 other concessions situated on the most unexplored segment of the world's best porphyry copper belt is like going back in time 50 years and pegging northern Chile. In our first year we have identified ten high priority targets and already we have identified drill targets at five of these and applied for permits.

To make successful discoveries you have search in the right place, know what to look, collaborate with the local communities and operate safely and responsibly.

We will make further discoveries in Ecuador."

JASON WARD

Exploration Manger

TECHNOLOGY

- State of the art magnetic modelling used to identify porphyry targets.
- Coincident geochemical signatures used to identify which porphyries are mineralised, fertile and pregnant with copper
- Rock chip sampling and structural measurements of quartz veins to provide geological context for diamond drill programmes.
- Anaconda geological mapping and drill core logging to facilitate the identification of intrusion stages and a vein para-genesis that allows for the prediction of copper-gold grades. The most important indicators of high-grade mineralisation include the presence of the early-stage causal intrusion(s), elevated porphyry-style vein abundance and an increased ratio of chalcopyrite to pyrite.

SOCIAL

- Strong and cooperative government relations to ensure permits are progressed.
- Strong and collaborative community engagement to secure local support and social licence to operate.

Q&A
WITH THE CHIEF EXECUTIVE DIRECTOR

NICHOLAS MATHER
Chief Executive Director

"OUR CHALLENGE IS TO PROVIDE THE NECESSARY FUNDING TO SEE ALPALA PROGRESS TOWARD DEVELOPMENT AND THE OPPORTUNITY IS TO CREATE AN INTEGRATED PIPELINE OF EXPLORATION, DEVELOPMENT AND MINING PROJECTS."

Q: How do you view SolGold's progress in the past 12 months?

A: As a number of aggressive value additions across Ecuador.

SolGold's progress over the last 12 months has focussed on making the resource at Alpala, particularly the high grade portion, larger and higher in grade. This has involved focus with the drilling rigs – of which ten have been on Alpala and two recently at Aguinaga. We have been receiving and announcing some very encouraging extensions and infills to the high grade model and the overall resource at Alpala. Ultimately this will add significant value to the project and we expect with the early outcomes from the Preliminary Economic Assessment (PEA) that the share price will appreciate to close the value price gap. This could be further enhanced by delivery of conditional funding arrangements to see the project reach bankable feasibility within two years and hopefully a development decision at the end of that period soon after.

Q: What is your vision for SolGold and how do you plan to achieve this?

A: To become an integrated miner, developer and explorer.

The vision for SolGold is to add to our already demonstrated strengths as an explorer at Cascabel, discoveries on the other projects all through the spine of Ecuador along the gold rich Northern Andean Copper Belt. In addition, we aim to add a development and production leg to SolGold's project inventory by moving Alpala into feasibility and development stages. This will involve further capital raisings and the addition of personnel at operative and management levels with the necessary familiarity with mine development in porphyries and in South America. We are planning these personnel additions along the way.

Q: How much do you think your personality has shaped SolGold's strategy?

A: A culture of dedication and determination.

The culture of a company is very important. We enlist those with resilience and a willingness to tackle challenges on a large scale. All of the personnel at SolGold are driven and invested in the company both professionally and financially. As CEO I have led this ethos and established a culture of increasing value and retaining the upside for shareholders rather than farming the project out to opportunistic majors.

There is so much value in the Alpala project to be realised and we have a reasonable target of 10million tonnes of copper and 25 million ounces of gold in the next mineral resource estimate and a valuation which I believe can deliver a NPV over $4 billion and IRR over 25% for a 40 million tonne per year block cave mine at reasonable gold and copper prices and reasonable discount rates. From the very beginning of this project, we knew that it was big and ambitious, but management input into a large project is much more efficient than management input into a small project and for the market to see value drivers to increase the SolGold share price, we needed to be focussed on the big target and not give away the upside.

Q: What is the roadmap for Cascabel?

A: MRE December 2018, PEA 2019, Pre-Feasibility December 2019, permitting, fiscal framework and financing and final feasibility 2020.

The roadmap for Cascabel is to deliver a new Mineral Resource Estimate by early December with a 43-101 compliant report within a month, along with the Maiden PEA in January 2019. From there, continued increasingly detailed feasibility studies in the resource evaluation, mine planning, process design and plant design, capital and operating cost estimates, and environmental and Community and Social Responsibility areas will deliver an increasingly robust project by calendar end of 2019. We expect to spend 2020 on permitting, final feasibility, financing and fiscal negotiations with a plan to get to a development decision by calendar end 2020.

Q: Does the arrival of BHP into the register concern you?

A: No, they're very welcome.

We are obviously happy to have Alpala, Ecuador, the copper market and our management team endorsed by BHP buying 6%. I'm assuming that's just for starters.

Q: Is Alpala a copper or gold project?

A: There's more value (approximately 2/3) in the copper, but the gold grades in the core are very rich and disproportionately high. As a gold project with early cash flows and high grades, I expect it to be very valuable and very financeable.

Q: How do you respond to those who say SolGold is too small to fund a project the size of Cascabel, let alone your significant portfolio across Ecuador?

A: High copper and gold grades at Alpala deliver independence.

The extraordinary high grades evident in the core of Alpala and, the high grades we expect in the nearby Blanca gold project will enable a low capital, quick, highly profitable development, to provide much of the capital that is required to develop Cascabel. So we see an operation starting in very high grades and gradually ramping up into a 40 million tonne a year block cave at the high grade core grades of 1.5% Cu.Eq. We are working on a conditional total funding package which involves agreement of the funding parameters with financiers and off-takers now, at pre-arranged prices related to the NPV rather than the share price and conditional only on the delivery of firstly, a feasibility study, secondly, appropriate permits, and thirdly, the necessary fiscal arrangements with the Ecuadorian Government. That way the market and the industry will be able to see that the project is substantially de-risked from an early stage.

The logistic advantages are compelling. We have ports nearby, rail easements, sealed highways, low elevation and an international hydro power grid to save us billions, compared to a high and dry project in the Chilean Andes. On top of that, the block cavable configuration for this large orebody makes it cheaper to develop and operate, and more environmentally acceptable than a big open cut mine.

Q: SolGold is in a very unique position in the market, do you view this as a challenge or opportunity?

A: Independence is the challenge. Diversity is the opportunity.

Our unique position is both a challenge and an opportunity. Our challenge is to provide the necessary funding to see Aplala progress toward development and the opportunity is to create an integrated pipeline of exploration, development and mining projects largely 100% owned under the SolGold roof. This will present SolGold's shareholders with a unique opportunity to take part in ownership of one of the world's largest emerging copper-gold porphyry explorers, developers and miners.

Q: SolGold is perceived as being a very technical story, as an experienced geologist how do you explain it to the person on the street?

A: Mineral systems repeating on all scales, which allows SolGold to create and deliver a blueprint quickly, effectively and successfully apply it all across Ecuador.

SolGold is of course at a project scale a very technical story at the moment and the scale of the project at every level is replicable at higher levels. The mineralisation style that we see in an outcrop or piece of core, persists across very large mineral systems and has the potential to deliver very, very large orebodies, not just at Alpala but at all the projects throughout Ecuador.

SolGold's project is really Ecuador.

The country is extremely underexplored and fortunately, the Government is very committed to the development of an exploration and mining industry to supplement the nation's GDP with income to replace oil and gas revenues. The Andean Copper Belt, the northern section of which is very gold rich, yields repeatably recognisable geological and mineral systems in Ecuador, and this means that our exploration programmes can be blueprinted and executed at low costs and with low discovery risk. The experiences at Alpala and Cascabel equip SolGold like no other in the country, with abundant access to the best prospects, a familiarity with the operating environment and an understanding of the predictability of these systems – all of which lead to high discovery rates of large mineral inventories on time and at low cost.

So yes, it's technical on a prospect scale, but on the corporate scale it's simple and clear – big, rich orebodies, extensive title and capable endorsed teams of dedicated professionals, working in a theatre abundant with opportunity.

We aim to retain each project ourselves to best benefit our shareholders.

ALPALA MRE UPDATE TARGETING

10 MILLION TONNES OF COPPER

25 MILLION OUNCES OF GOLD

OPERATIONS REVIEW

125,323M
OF DRILLING COMPLETED AT CASCABEL THUS FAR

During the financial year ended 30 June 2018, SolGold actively explored its concessions in Ecuador and Australia, whilst expanding its exploration license portfolio across Ecuador, and pursuing key prospecting licences in the Solomon Islands.

SEE MAP ON PAGE 05

The Company developed a detailed understanding of the Alpala deposit at Cascabel through surface geological mapping, spectral alteration mapping, drilling, geophysics, sample analysis, and modelling and is applying this knowledge in the development of other targets throughout Ecuador.

During the financial year ended 30 June 2018, twelve drill rigs were operational on the Alpala and Aguinaga prospects, completing approximately 81,700m at the Alpala Deposit and approximately 3,600m at Aguinaga prospect. A total 125,323m of drilling has been completed on the Cascabel project thus far.

A major milestone for the Cascabel project was the release of the Alpala maiden Mineral Resource Estimate (MRE) in February this year. The maiden MRE was estimated from the initial 53,616m of drilling comprised:

- 430 Mt @ 0.8% CuEq (at 0.3% CuEq cut off) in the Indicated category, and 650 Mt @ 0.6% CuEq (at 0.3% CuEq cut off) in the Inferred category;
- contained metal content of 2.3 Mt Cu in the Indicated category and 2.9 Mt Cu in the Inferred category; and
- contained metal content of 6.0Moz Au in the Indicated category, and 6.3Moz Au in the Inferred category.

The size of the Alpala deposit continues to expand with the completion of nearly every drill-hole. Recent drilling, now updated into 3D geological and grade models confirms the core of the deposit to have uninterrupted true dimension of up to 750m vertically, 700m long, and 300m wide, at a cut-off grade of 1.5% CuEq. The actual grade of this gold rich internal core (to the larger deposit) will of course be significantly higher grade than the cut-off grade. The gold rich internal core is very encouraging towards the definition of high grade tonnage for early access.

From a mining perspective, upon release, a second updated MRE could provide not only a far stronger resource base but also a larger and more cohesive high-grade core, and additional, high grade tonnage being defined along the western lobe, which lies in a raised position, adjacent to the high grade core of the deposit. It is envisaged that such options could be mined at a higher production rate in the early years thus enhancing the project NPV significantly.

The Company is currently planning further metallurgical testing and completion of an independent Preliminary Economic Assessment at Cascabel. SolGold is investigating underground block caving operations, with high grade / low tonnage initial underground development towards the economic development of the copper-gold deposit/s at Cascabel.

SolGold has commenced acquisition of landholdings in the Cascabel project area in anticipation of infrastructure requirements for the project development. This has resulted in the acquisition of 281 hectares of land during the financial year ended 30 June 2018.

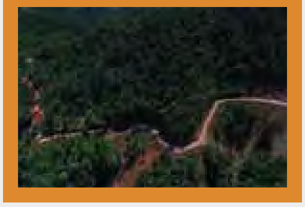
SolGold have improved the site facilities to increase throughput of core processing and sampling – allowing it to process on average over 300m of drill core per day. Storage facilities have also been increased to accommodate projected requirements to the end of calendar year 2018. Camp infrastructure has also been extended and improved to accommodate up to 88 personnel at Rocafuerte and 217 at the Alpala camps.

The Regional Exploration team have identified areas prospective for porphyry and epithermal style mineralisation areas throughout Ecuador. During the year over 100 hundred concessions were applied for, with a total of 72 concessions representing 306,543 hectares granted. SolGold is the largest concession holder in Ecuador.

OUR SUSTAINABLE APPROACH

40,000
PLANTS GROWN EACH YEAR

SolGold's plant nursery established at the Cascabel project produces multiple plant species for reforestation and agriculture.



In these regional concessions, social teams are engaging with communities and government organisations to gain access to tenements, and to keep them informed of the SolGold activities in their areas. Geologists have been involved in various programs of reconnaissance mapping and rock chip and stream sediment sampling and progressed many of these with follow up gridded sampling.

First pass exploration has rapidly covered most of the 72 concessions during the past year. From this early stage work, a total of 10 priority projects have been identified. These projects represent the core regional focus for exploration activities for the next 12 months.

SolGold continues to employ locally and support local business. Our permanent Ecuadorian work force is currently over 300 people at Cascabel with 84 exploration geologists.

In the Solomon Islands SolGold is actively pursuing the application of the Kuma and Mbetilonga prospecting licences which are considered prospective for porphyry copper and gold mineralisation.

SolGold maintains its interest in Australia through its Queensland tenements. SolGold remains optimistic about the potential of these holdings with encouraging drilling results and geophysics supporting further exploration, and target prioritisation.

ECUADOR

CASCABEL PROJECT

ENSA Exploraciones Novomining S.A

PROJECT OVERVIEW

Location	Imbabura province, Northern Ecuador
Ownership	85%
Subsidiary	Exploraciones Novomining SA (ENSA)
Tenement area	50km²
Deposit type	Copper-gold porphyry
Infrastructure	3 hour drive from Quito (Ecuador's capital) along sealed highway, 180km from deep water port, Esmeraldas, 30km from hydropower network, adjacent fresh water supply
Elevation	600 – 1,800m

ALPALA

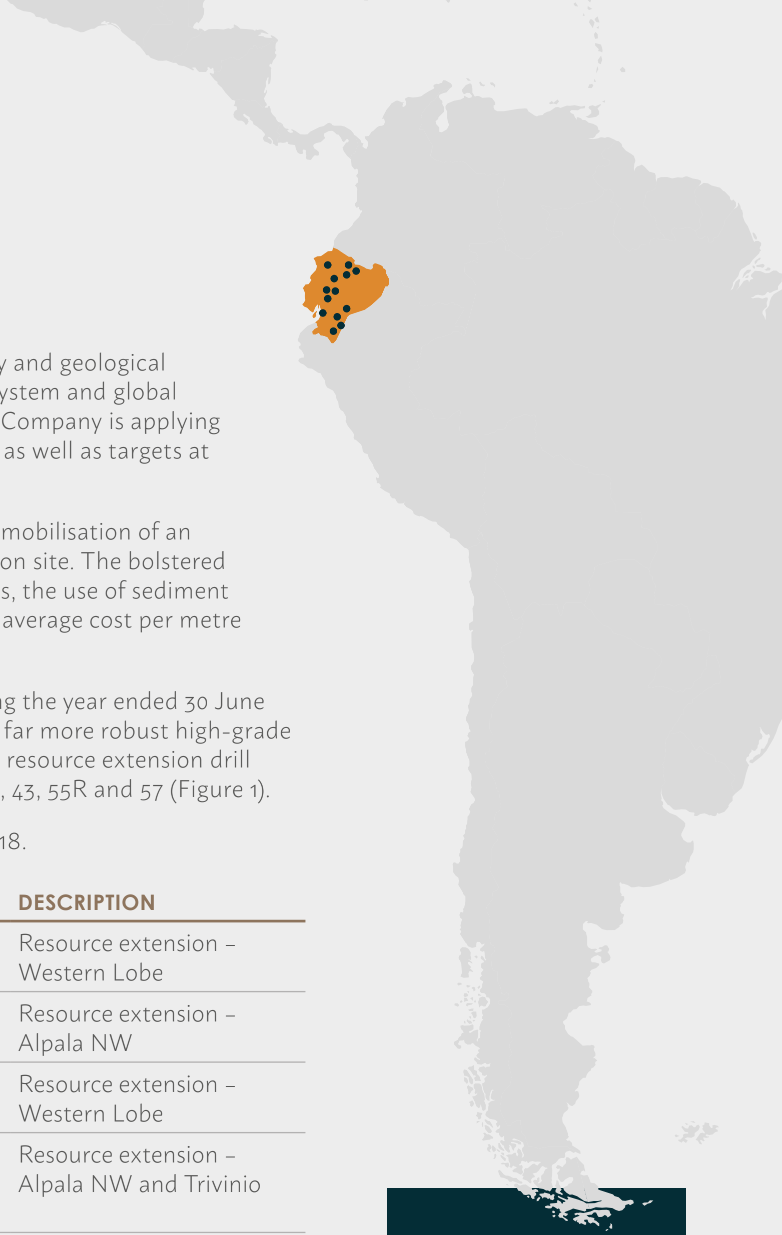
The Alpala maiden Mineral Resource Estimate (MRE announced on 3 January 2018 was a major milestone (Table 1). The MRE was based on 53,616m of results from drilled between 2013 and October 2017. A further 71,000m of drilling was completed by the end of June 2018. This new information not yet considered in the MRE, is expected to result in significant resource growth for a revised MRE planned for release at the end of calendar year 2018.

Table 1 Alpala maiden Mineral Resource Estimate statement.

			GRADE			CONTAINED METAL		
	RESOURCE CATEGORY	TONNAGE (MT)	CU (%)	AU (G/T)	CUEQ (%)	CU (MT)	AU (MOZ)	CUEQ (MT)
>1.1% CuEq	Indicated	70	1.1	1.3	1.8	0.7	2.8	1.2
	Inferred	50	1.1	1.3	1.8	0.5	1.9	0.8
0.9 – 1.1% CuEq	Indicated	50	0.7	0.5	1.0	0.3	0.9	0.5
	Inferred	50	0.7	0.5	1.0	0.4	0.9	0.5
0.3 – 0.9% CuEq	Indicated	310	0.4	0.2	0.5	1.2	2.3	1.6
	Inferred	550	0.4	0.2	0.5	2.0	3.5	2.6
Total >0.3% CuEq	Indicated	430	0.5	0.4	0.8	2.3	6.0	3.4
	Inferred	650	0.4	0.3	0.6	2.9	6.3	4.0

Notes:

- Mr. Martin Pittuck, MSc, CEng, MIMMM, is responsible for this Mineral Resource estimate and is an "independent qualified person" as such term is defined in NI 43-101.
- The Mineral Resource is reported using a cut-off grade of 0.3% copper equivalent calculated using [copper grade (%)] + [gold grade (g/t) x 0.6] based on copper price of US$2.8/lb and gold price of US$1,160/oz.
- The Mineral Resource is considered to have reasonable potential for eventual economic extraction by underground mass mining such as block caving.
- Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability.
- The statement uses the terminology, definitions and guidelines given in the CIM Standards on Mineral Resources and Mineral Reserved (May 2014).
- The MRE is reported on 100 percent basis.
- Values given in the table have been rounded, apparent calculation errors resulting from this are not considered to be material.
- The effective date for the Mineral Resource statement in the 18th December 2017.



The drilling program has focussed on delineating the geometry and geological character of the Alpala deposit. Understanding of the Alpala system and global porphyry systems has provided additional knowledge that the Company is applying in the exploration of other targets within the Cascabel project as well as targets at regional projects.

The drilling program was accelerated during the year with the mobilisation of an additional 8 drill rigs, increasing the drill fleet from 4 to 12 rigs on site. The bolstered drilling fleet numbers along with custom drilling fluid programs, the use of sediment removal and directional drilling techniques has resulted in the average cost per metre being reduced by over 40% during the year.

Drilling assay results from Holes 28 to 55R were received during the year ended 30 June 2018, with assay results from infill drilling at Alpala revealing a far more robust high-grade core than previously modelled, as exemplified (for example) by resource extension drill holes 33, 37, 42 and 49, and by infill drill Holes 41-D1, 41-D1-D2, 43, 55R and 57 (Figure 1).

Table 2 Highlights from drilling results at Alpala during 2017/18.

HOLE	ASSAYS COPPER EQUIVALENT (CUEQ)	DESCRIPTION
Hole 33	824m @ 0.80%, including 576m @ 0.93%, and 170m @ 1.48%	Resource extension – Western Lobe
Hole 37	842m @ 0.44%, including 198m @ 0.74%	Resource extension – Alpala NW
Hole 42	728m @ 1.06%, including 388m @ 1.44%, and 254m @ 1.78%	Resource extension – Western Lobe
Hole 49	850m @ 0.66%, including 444m @ 0.83%, 268m @ 1.12%, and 120m @ 1.57%	Resource extension – Alpala NW and Trivinio
Hole 41-D1	756m @ 0.82%, including 386m @ 1.19%, and 252m @ 1.53%	Resource infill – Alpala Central
Hole 41-D1-D2	853m @ 0.91%, including 582m @ 1.18%, 340m @ 1.54%, 146m @ 2.32%	Resource infill – Alpala Central
Hole 43	898m @ 0.76%, including 478m @ 1.02%, and 160m @ 1.56%	Resource infill and Extension – Alpala Central
Hole 55R	1062m @ 1.02%, including 548m @ 1.36%, and 220m @ 2.07%	Resource infill – Alpala Central
Hole 57	832m of visible copper sulphide mineralisation, including 304m of intense visible copper sulphide mineralisation	Assay results pending

Drill hole intercepts have been updated to reflect current commodity prices, using a data aggregation method, defined by copper equivalent cut-off grades and reported with up to 10m internal dilution, excluding bridging to a single sample. Copper equivalent grades are calculated using a gold conversion factor of 0.63, determined using an updated copper price of USD3.00/pound and an updated gold price of USD1300/ounce. True widths of down hole intersections are estimated to be approximately 25-50%.

The SolGold geologists expect a significant increase in the grade, extent and continuity of the resources in the planned updated MRE including a significant increase in the high-grade core tonnage and grade (Figure 2). This expectation is based on better understanding of the deposit through observations achieved from higher density drilling. Drilling continues to demonstrate strong mineralisation in drill holes outside the current inferred and indicated resource blocks along with strong assay results from infill drilling within the existing core of the deposit.

11
PROJECTS IN ECUADOR

AVERAGE COST PER METRE REDUCED BY OVER
40%

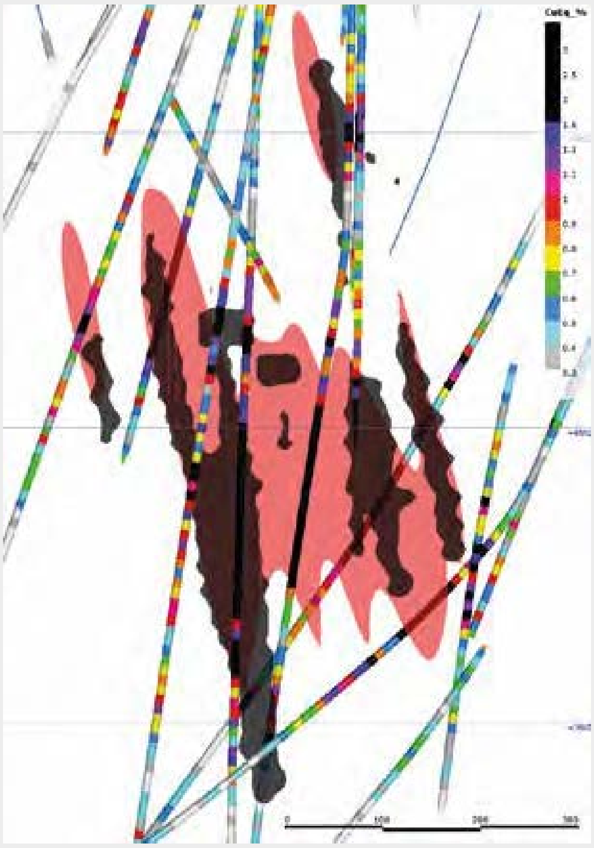


Figure 1

Cross-section looking northwest through the high-grade core of the Alpala deposit (window of + 40m), showing Cu-equivalent values in drill-hole, the outlines of the high-grade zone (>1.5% CuEq, black polygon) and indicated / inferred resources determined in the January 2018 Mineral Resource Estimate (MRE). Those important drill holes included in the MRE are labelled with black text. Those drill-holes completed subsequent to the MRE calculation are indicated by red text (holes 41-D1, 41-D1-D2 and 57). Preliminary in-house calculations, based on these recent holes, suggests that the central high-grade core is significantly larger than announced in the MRE. This can be seen by comparing the size and shape of Jan 18 MRE polygon (black) to the current in-house model polygon (grey).

Other geological activities completed during the year ended 30 June 2018 include:

- Mapping – to improve understanding of the geometry of the mineralised systems and assist with drill planning:
  - Anaconda style geological mapping.
  - Spectral alteration mapping.
  - Soil gridding.
  - Auger mapping.
- Geophysics – to assist with drill targeting:
  - Spartan Orion 3D Magnetotelluric survey (3d IP).
- Analyses – to understand the characteristics of ore minerals:
  - Petrographic –provides geological context to exploration.
  - Terraspec – spectral mapping of hydrothermal alteration minerals.
  - Mineragraphy (scanning electron microscope) – location of gold and grainsize characteristics of ore minerals.
  - Petrophysics – to provide better geological context to better interpret geophysical results.
- Modelling – the basis for resource calculation and addition:
  - 3D geochemical modelling of porphyry geochemical signatures in soil and auger data.
  - Re-modelling of constrained heli-magnetic, Orion 3DIP and magneto-telluric (MT) surveys.
  - Development of 3D geological, grade, geochemical and alteration models at Alpala.
- Target generation – to feed the pipeline for future discovery:
  - Geophysics modelling - Identification and drill testing of northwest trending magnetic bodies (Alpala Southeast, Alpala East, Alpala Northwest, Trivinio, Moran, Tandayama-America, Aguinaga, Chinambicito, Carmen and Parambas).

AGUINAGA

SolGold continues to drill test the 5 targets identified at Aguinaga. The drilling program is in its initial stages with 5 holes completed, totalling approximately 3,600m. To date, drilling has intersected zones of strongly mineralised host rock (Figure 2), intra-mineral dykes, and late dykes and breccias. The mineralisation source intrusion is yet to be encountered.

Mineralisation intersected in drilling at Aguinaga thus far, has similarities to that being drilled at Alpala and to that discovered at surface in rock saw channel samples that returned an open-ended, rock-saw channel sample result of 9.0m @ 1.51% CuEq (1.01% Cu, 0.79 g/t Au).

SolGold geologists deem that the initial drilling at Aguinaga confirms the potential for a second large porphyry deposit at Cascabel, thus far demonstrating a vertical column to the mineralising system of more than 600m, and a width of approximately 320m.

5
HOLES COMPLETED

Table 3 Highlights of Aguinaga drilling program

HOLE	ASSAYS COPPER EQUIVALENT (CUEQ)	DESCRIPTION
Hole 01	218m @ 0.45%, including 122m @ 0.52%	Mineralisation intersected validating geological target.
Hole 02	172m @ 0.42%, including 46m @ 0.63%	Mineralisation intersected with similar characteristics as Hole 1.

Figure 2
Selected examples of mineralisation encountered in Hole 1 at Aguinaga.

ECUADOR CONTINUED

THE 10 PRIORITY PROJECTS ARE:

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

REGIONAL PROJECTS

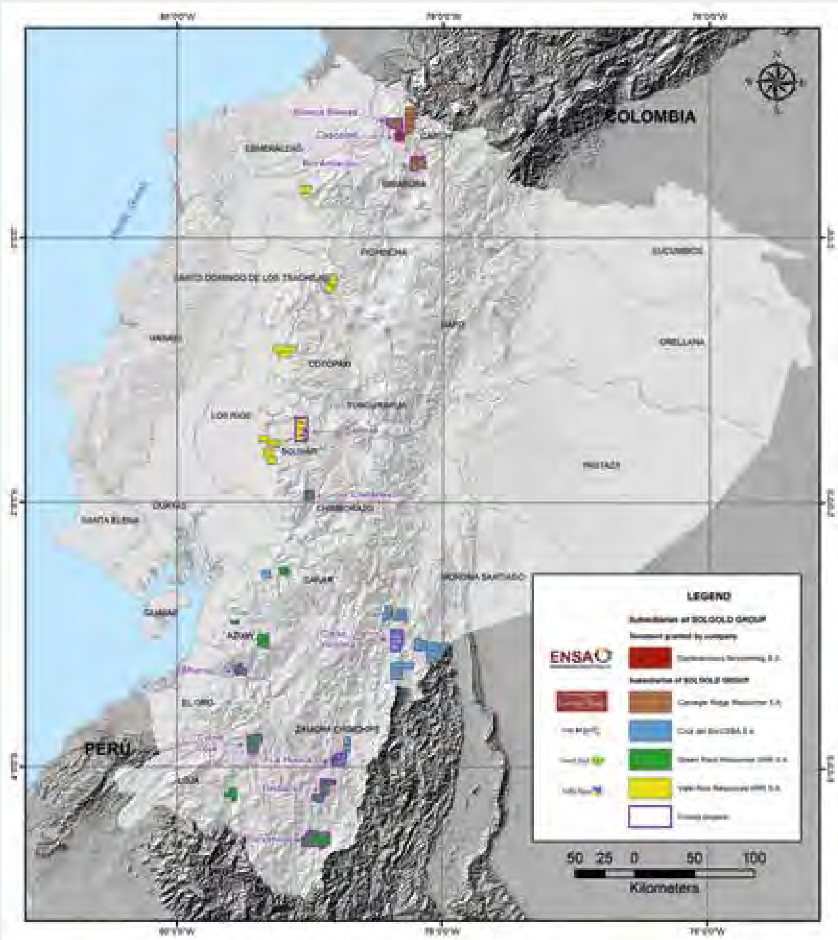
SolGold's strategy to become a tier 1 copper and gold producing company through aggressive exploration is continuing to yield exciting results. SolGold has applied for over 100 carefully selected concessions perceived (by SolGold) to be the most prospective areas in Ecuador. During the last 12 months applications were granted for 72 concessions (Figure 3). These applications are held in four SolGold subsidiaries, Carnegie Ridge Resources, Green Rock Resources, Cruz Del Sol S.A. and Valle Rico Resources.

With the granting of the regional concessions in Ecuador, social teams were employed to liaise and engage with local communities; establish and maintain field access for the technical teams; and to ensure local labour was identified and employed whenever positions were available. Multiple technical field teams were formed for each subsidiary, consisting primarily of national geologists and technicians. A total of 42 national geologists are now employed in regional exploration along with many more technicians and local workers.

Over the past year, first pass reconnaissance mapping, stream sediment geochemistry, and detailed geological mapping over target areas has rapidly covered most of the 72 concessions. Based on the results of this initial exploration, a list of 10 priority targets has been prioritised for second phase exploration.

Ongoing exploration will focus on advancing these priority projects, through detailed geological mapping, soil geochemistry and geophysical surveys (where necessary), with a view to progressing to drill testing as soon as permissions are in place.

Figure 3
SolGold granted concessions in Ecuador (including Cascabel) highlighting the priority projects.



BLANCA

PROJECT OVERVIEW

Location	Charchi province, Northern Ecuador
Ownership	100%
Subsidiary	Carnegie Ridge Resources S.A
Tenement area	1 concession (Blanca) over 97km^2
Deposit type	Epithermal gold

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

A ridge and spur auger soil program is underway traversing the projected trend of the epithermal structural corridor. Following the results of the geochemical sampling program, a targeted geophysical survey will be planned, and priority targets refined to drill ready status.

In the Blanca concession, sampling of the intermediate sulphidation "Cielito" vein and outcropping veins in surrounding drainages are hosted in volcanics and volcanic breccias showing weak quartz-pyrite-illite and chlorite-sericite alteration (Figure 4).
The results include:

- 0.00% Cu, 72.3g/t Au, 13.3g/t Ag.
- 0.01% Cu, 18.75g/t Au, 0.35g/t Ag.
- 0.03% Cu, 17.05g/t Au, 7.14g/t Ag.
- 0.00% Cu, 4.93g/t Au, 1.63g/t Ag.

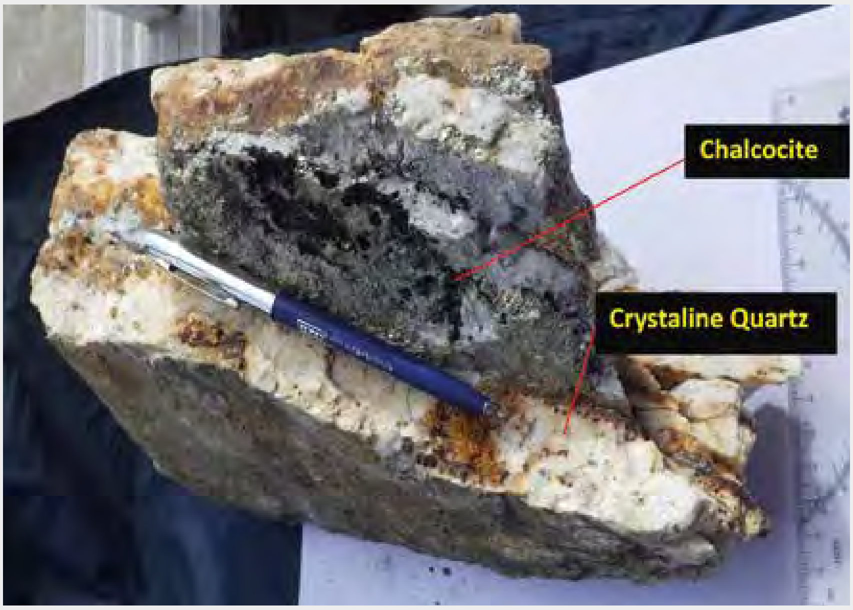


Figure 4
Example of the 'Bonanza' style epithermal silica mineralisation occurring at "Cielito" vein.

CISNE LOJA

PROJECT OVERVIEW

Location	Loja province, Southern Ecuador
Ownership	100%
Subsidiary	Green Rock Resources S.A.
Tenement area	3 concessions, 146km^2
Deposit type	Epithermal gold and silver

ROCK CHIP SAMPLES HAVE RETURNED GOLD AND SILVER RESULTS

>1G/T AU

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

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

SolGold has had field teams on the ground conducting reconnaissance stream and rock chip sampling, mapping and prospecting at the three Cisne Loja concessions since December 2017. Streams over a 6km x 4km zone draining the area of interest were ubiquitously rich in gold and magnetite indicating the prevalence of the copper-gold mineralised porphyries in the area.

Geological mapping of these anomalies defined alteration and quartz veining over an area of 2.5km by 1.5km. These were outcropping, epithermal style alteration and mineralisation with multiple episodes of quartz veining evident. Rock chip samples have returned gold and silver results greater than 1 g/t Au with a best rock chip sample of 15.25g/t Au and 23.6g/t Ag.

Further detailed mapping, sampling and trenching is planned along with a geophysical survey, prior to drill testing.

TIMBARA

PROJECT OVERVIEW

Location	Zamora Chinchipe province, Southern Ecuador
Ownership	100%
Subsidiary	Greenrock Resources
Tenement area	4 concessions (Timbara 1, Timbara 2, Timbara 3 and Timbara 4), 152 km^2
Deposit type	Copper-gold porphyry

5M

THICK QUARTZ VEINS EXPOSED IN OTHER OUTCROPS

At Timbara 1 prospect, outcropping porphyry style mineralisation occurs as north-east trending narrow quartz veins containing Pyrite, Chalcopyrite, Covellite and Bornite hosted within granodiorite intrusive.

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

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

PORVENIR

PROJECT OVERVIEW

Location	Zamora Chinchipe province, Southern Ecuador
Ownership	100%
Subsidiary	Green Rock Resources S.A.
Tenement area	244km^2
Deposit type	Copper-gold porphyry

A stream sediment sampling program at the Porvenir Project delineated two geochemical anomalies within the larger 6km x 5.5km stream anomaly at the Derrumbo and Bartolo prospects.

SolGold geologists have identified mineralised outcrops which extend over some 1.5km x 1km with chalcopyrite up to 7% and lesser covellite up to 1%, chalcocite up to 2%, bornite up to 1%, malachite up to 3% and pyrite. New mineralised outcrops identified in the Porvenir Project that are rich in chalcopyrite, chalcocite, covellite, bornite (copper sulphide minerals) and malachite (copper carbonate mineral).

A program of ridge and spur auger soil sampling is currently underway with initial auger soil results having identified a 2.5km by 2km zone of strong copper anomalism. Initial multi element soil geochemistry is delineating a strongly zoned porphyry copper target with copper in soil values of up to 0.42% Cu.

Auger soil programs are continuing and infill programs are planned to delineate drill targets. Geopysical surveys are also planned over the Bartolo and Derrumbo prospects.

Follow up mapping has confirmed mineralisation in outcrop, with best rock chip results including:

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

LA HUECA

PROJECT OVERVIEW

Location	Zamora Chinchipe province, Southern Ecuador
Ownership	100%
Subsidiary	Cruz del Sol
Tenement area	3 concessions, 150km^2
Deposit type	Copper-gold porphyry

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

Target 6 has returned strong copper, gold and molybdenum anomalism over a large area 1.25km by 1.0 km.The discovery is significant due to k-feldspar, secondary biotite, and chlorite-sericite hydrothermal alteration intensity, and the presence of chalcopyrite, molybdenite and bornite. A- and B-type quartz veins are also present at variable density. Geochemical high Cu-Mo results are significant (Table 2), and they are dispersed over an extensive area.

A program of gridded auger soil sampling is underway at Target 6 to further delineate drilling targets. Further reconnaissance, detailed mapping, and sampling and trenching is planned, prior to refining targets for drill testing.

Best rock chip results from Target 6 include:

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

ECUADOR CONTINUED

CHILLANES

PROJECT OVERVIEW

Location	Bolivar/Chimborazo province, Central Ecuador
Ownership	100%
Subsidiary	Green Rock Resources S.A.
Tenement area	48km^2
Deposit type	Copper-gold Porphyry

Stream sediment geochemical sampling has returned the highest copper results from any SolGold project in Ecuador with best results including 1140ppm Cu and 1110ppm Cu. Detailed follow up mapping and rock chip sampling is continuing with the best rock chip assay returned to date of 1.42% Cu.

Hydrothermal alteration consists of phyllic alteration with abundant chalcopyrite and pyrite with lesser chalcocite and bornite mapped in outcrop.

Following the completion of initial anaconda mapping, a program of auger soil geochemistry will be carried out to delineate priority drill targets.

RIO AMARILLO

PROJECT OVERVIEW

Location	Imbabura province, Northern Ecuador
Ownership	100%
Subsidiary	Carnegie Ridge Resources S.A.
Tenement area	3 concessions, 123 km^2
Deposit type	Copper porphyry

250M
LONG OUTCROP OF COPPER MINERALISATION

Two main prospects have been identified in both Rio Armarillo 1 & 2; Chilanes and the Pugaran Prospects.

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

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

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

CISNE VICTORIA

PROJECT OVERVIEW

Location	Morana Santiago province, Southeastern Ecuador
Ownership	100%
Subsidiary	Cruz del Sol S.A.
Tenement area	170km^2
Deposit type	Copper-gold Porphyry

Numerous prospects have been discovered during SolGold's initial geochemical stream sampling. Significant alteration and mineralisation has been identified that is indicative of a large porphyry system.

Best results include a 7m continuous channel chip sample that returned:

- 7m @ 2.28% Cu, 0.73 g/t Au, 8.83 g/t Ag.

Initial first pass exploration is continuing to define the extent of the copper mineralisation and locate new prospects.

SHARUG

PROJECT OVERVIEW

Location	Azuy province, Southwest Ecuador
Ownership	100%
Subsidiary	Greenrock Resources S.A.
Tenement area	2 consessions, 52 km^2
Deposit type	Copper-gold Porphyry

New diorite outcrops located in the Sharug project, in the Sharug 2 concession. The alteration and mineralisation observed is indicative of a potential porphyry copper-gold system. Hydrothermal alteration consists of chlorite, sericite and secondary biotite.

The quartz vein stockwork has a preferential direction NE – SW. The fine stockwork veinlets comprise magnetite, pyrite and disseminated chalcopyrite.

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

SALINAS

PROJECT OVERVIEW

Location	Bolivar province, Southwest Ecuador
Ownership	100%
Subsidiary	Valle Rico Resources S.A.
Tenement area	4 concessions, 189 km^2
Deposit type	Gold-silver-copper epithermal

The Salinas Project represents a high sulphidation epithermal Ag-Au-Cu with indications of a nearby Cu-Au porphyry system.

Previous diamond drilling conducted by Rio Tinto returned a best intersection:

- 74.5m @ 2.0 g/t Au and 137 g/t Ag.
- incl. 39.5m 3.3 g/t Au and 168 g/t Ag.

Mineralisation is hosted in structurally controlled hydrothermal volcanic breccias.

A hypogene covellite-enargite-chalcocite-arsenopyrite paragenesis of phases in the hydrothermal breccia suggests a nearby larger Cu-Au porphyry system.

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

AUSTRALIA

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

7
ONGOING PROJECTS IN AUSTRALIA

CENTRAL MINERALS

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

ACAPULCO MINING

- EPM 19410 Normanby.
- EPM 25245 Mount Perry.

COOPER

589.8M
OF DRILLING DURING THE PAST YEAR

Located, 140km west of Gladstone (Queensland Australia), the Rannes project hosts structurally-controlled, low-sulphidation epithermal gold-silver deposits. Thirteen prospects have been identified within the Permian-aged Camboon Volcanics, with the majority lying along north-northwest trending fault lines.

Exploration activities during the year included the drilling of two holes (RC pre-collar with diamond tail) totalling 589.8m of drilling.

A VTEM (Versatile Time Domain Electromagnetic) airborne geophysics survey was completed over the main tenement areas in June 2018. The VTEM survey tested for conductive and/or resistive bodies that may indicate mineralisation lying underneath adjacent extensive cover sequences.

Preliminary analysis of the VTEM data show conductors offset to the south-west of the surface mineralisation, suggesting the potential for sulphide zones down south-westerly dipping thrust faults. A large conductor lying untested in the far south-west portion of the survey area was marked for follow up, where gold and silver soil geochemical anomalies occur in a poorly exposed area.

The two diamond holes were drilled under the thickest part of the Crunchie deposit to test for depth extensions to mineralisation under soil geochemical anomalies, however drilling returned no significant results.

Further analysis of the VTEM with existing data will form the basis of further work in 2018/2019 and refinement of follow up drill testing.

GOOVIGEN

Located near Goovigen, approximately 140km west of Gladstone (Queensland Australia), exploration activities at the consolidated concessions around Woolein included the drilling of 10 reverse circulation drill holes in February 2018 totalling 946m. The holes were designed to test gold geochemical anomalies in soil where linear structural features are interpreted from topographic and regional magnetic imagery.

LONESOME

EPM 19243 is located 40 km south-west of Biloela in Central Queensland. Central Minerals Pty Ltd is exploring for gold and silver about the stratigraphic level of the basal sediments of the Bowen basin. The Rannes area 40 km to the north contains several of these deposits, and to date Central has defined resources of about 10 million ounces of silver, and about 270,000 ounces of gold.

The tenement area contains structures that are visible on satellite images. They appear to be repetitions of chalcedonic breccia's that are mineralised with zoned silver – gold and then copper just to the west at Mt Tam.

In 2017–2018, work has consisted of office-based reporting. No field work has been carried out. The proposed programs have been postponed. Central Minerals is now in a position where postponed programs can be resumed.

10 MILLION OUNCES OF SILVER DEFINED BY CENTRAL

WESTWOOD

Located approximately 50km south-west of Rockhampton (Queensland Australia), exploration activities at Westwood included the drilling of 5 RC percussion and diamond drill holes totaling 713.7m, comprising 2 RC drill holes with Diamond tails totaling 527m and 2 RC percussion holes totaling 186m. Drilling verifies that the Westwood deposits are steeply dipping.

The most easterly hole WWD001 intersected potentially ore grade palladium with anomalous gold and copper with the best intersection 44m @ 1.0 g/t Au+Pd+Pt and 0.11% Cu.Samples have been sent to Canada for full analysis including Platinum, Palladium, Ruthenium, Osmium and Iridium. Drilling verified that the deposits are steeply dipping.

The remainder of drill holes returned poor results, however, the Westwood prospect is very large and offers potential for porphyry and layered intrusion style Cu-Au-PGE mineralisation, especially in low lying areas north and east of drill hole WWD001, which are marked for follow up work in the coming year.

At the Westwood Prospect, the objective of the drilling was to test weak conductors identified from previous Electromagnetic survey imagery.

CRACOW WEST

Located approximately 10km west of Cracow (Queensland Australia), the Cracow West tenement holds targets anomalous in tellurium over a Subaudio Magnetics (SAM) resistor anomaly. The target area holds several similar characteristics to the now mined 'Klondyke' at Cracow deposit, which led to the recent revival of Evolution Mining's Cracow mine.

SolGold did not undertake exploration activities in the current financial year and a renewal application has been lodged to the Queensland Department of Natural Resources with an immediate commitment to drill two diamond holes prior to October 2018. SolGold is optimistic of a favorable decision on the renewal application and expects the proposed program to be underway during Q4 2018.

Initial drilling will test a resistive feature at Dawson Park identified by the recent VTEM survey at a prognosed depth of 300m. Drilling will target potential for resistive gold-bearing epithermal silica, and follow up drill holes will be drilled in order to more accurately determine the dip and geometry of potential epithermal quartz adularia telluride-gold mineralisation.

NORMANBY

Assay results returned the following highlights:

- 14m @ 5.3 g/t Au from 58m depth (MFT019).
- 28m @ 1.1 g/t Au, from 40m depth, including 10m @ 2.3 g/t Au (MFT020).
- 28m @ 1.2 g/t Au from surface (MFT022).

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

The quartz vein gold copper systems at Normanby occur in shear zones along a diorite – granite contact. The field extends for several kilometres to the west beyond the current sampling, into flatter areas with a partial gravelly cover. Exploration activities included drilling of 6 RC percussion holes totalling 607m (including a diamond tail). Drilling focussed on targets identified by a prospecting program conducted in early 2017. A significant vertical mineralised structure was intersected in holes MFT19, and MFT17, and a separate shallow dipping zone of mineralisation was also discovered in holes MFT24 and MFT014.

Regional-scale stream sediment and rock chip sampling has identified numerous anomalous areas, including the Mt Crompton breccia pipe that require follow up work over the coming year. Further work is planned at Mount Flat Top and Normanby including more detailed soil and rock sampling to guide future drilling more accurately.

MOUNT PERRY

The Mount Perry mineral field located approximately 100km south-west of Bundaberg (Queensland, Australia) and comprises epithermal to mesothermal veins that cluster around mineralized porphyry intrusions and associated breccia bodies.

Two diamond holes (total 567.4m) and two shallow RC percussion holes (59m) were drilled to test a potential porphyry target postulated as the feeder for now abandoned high grade underground mines in the New Moonta area. The drilling was completed early July 2018.

Drilling has identified chalcopyrite and molybdenum mineralisation consistent with and is indicative of a porphyry system. Both holes intersected a copper/molybdenum mineralised monzonite porphyry, and were terminated in mineralisation. Assay results remain pending.

Should assays results offer encouragement, deeper drilling is planned to continue in this area, including the vicinity of the Red Hill breccia pipe where very shallow drilling completed in 2008 intersected good gold copper grades (4m@5.7 g/t Au and 0.28% Cu for the interval 0 to 4m).

Figure 5

Project locations, Queensland.

SOLGOLD REMAINS **OPTIMISTIC** ABOUT THE **POTENTIAL** OF THESE HOLDINGS

SOLOMON ISLANDS

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

2
PROSPECTING LICENSES APPLIED FOR IN THE SOLOMON ISLANDS

SolGold has applied for two prospecting licences in the Solomon Islands – both on the island of Guadalcanal:

- Mbetilonga prospecting licence (Mbetilonga Application).
- Kuma prospecting licence (Kuma Application).

MBETILONGA

The Mbetilonga Application covers an area of approximately 46 km^2 and is located approximately 8km south of Honiara (the capital of the Solomon Islands).

The prospect is located over an inferred collapsed caldera with widespread supergene copper mineralisation and intermediate sulphidation epithermal veins bearing gold, silver, lead, zinc and copper. No field activities were completed at Mbetilonga in the current financial year. SolGold awaits the grant of the Mbetilonga Prospecting Licence which was submitted on 10 February 2017.

Figure 6
Discovery of classical porphyry style leached cap and lithocap rocks at Kololevu and Alemba creeks.

KUMA

The Kuma Application covers an area of approximately 50km^2 and is located 37km south-east Honiara. The Kuma prospect on the island of Guadalcanal exhibits surface lithocap characteristics which are traditionally indicative of a large metal rich copper-gold intrusive porphyry system.

SolGold is awaiting the grant of an application submitted on 13 April 2017 to explore the Kuma prospect, and has not completed any exploration activities in the current financial year.

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

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

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

COVERS AN AREA OF APPROXIMATELY

50KM^2

QUALIFIED PERSON:

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

FINANCIAL REVIEW

The Group achieved several milestones during the financial year ended 30 June 2018.

A$81.8 MILLION

CASH BALANCE AT 30 JUNE 2018 APPROXIMATELY

A$76.8 MILLION

INVESTED BY THE GROUP ON EXPLORATION EXPENDITURE

OUR SUSTAINABLE APPROACH

IMPLEMENTATION OF BOREALIS

A state of the art online reporting tool for our CSR initiatives.

These included:

- The completion of successful fund raisings (including exercise of share options) totalling approximately A$78.4 million from institutional and professional investors. This has resulted in a cash balance of approximately A$81.8 million at 30 June 2018.
- Exploration and evaluation expenditure of A$83.5 million for the year including the release of the Alpala Maiden Resource Estimate.
- Operating loss of A$15.9 million representing an increase of A$7.7 million over the prior year. The increase in loss is largely attributable to a share-based payments expense of A$10.6 million recognised on the fair value of share options granted to Directors, employee and contractors. This represents an increase of A$8.3 million over the prior year charge. This was offset by an unrealised foreign exchange gain during the year of $4.1 million due to the Group's cash reserves primarily being held in USD.
- A loss of $6.2 million recognised on the Company's mark to market adjustment on its investment in Cornerstone Capital Resources Inc.

RESULTS

The Group incurred a loss before tax of A$15,267,636 for the year (2017: A$8,323,050), inclusive of the decision to expense A$376,031 (2017: A$17,310) for exploration expenditure associated with tenements that were surrendered or which had expired during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in note 12. The increase in the loss before tax is largely due to A$10,568,889 (2017: A$2,239,533) recognised as a share-based payments expense. This represents a proportion of the Black-Scholes fair value of share options granted to Directors, employees and contractors expensed over the vesting period in the year. Additionally, the Group experienced increased regulatory and compliance costs due to its London Stock Exchange main board listing and Toronto Stock Exchange listing of $1,137,106 (2017: $116,051). This was offset by an unrealised foreign exchange gain during the year of $4,115,511 million due to the Group's cash reserves primarily being held in USD.

An income tax expense of $4,415,424 (2017: tax benefit of $3,823,078) was recognised based primarily on the mark to market adjustment of the Company's investment in Cornerstone Capital Resources Inc.

A loss of A$6,244,922 (2017: gain of A$8,920,515) was recognised in comprehensive income representing the mark to market adjustment on the Company's investment in Cornerstone Capital Resources Inc. This was offset by a gain of A$4,500,418 for the financial year ended 30 June 2018 (2017: loss of A$2,089,272) recognised on exchange differences on translation of foreign operations. The average exchange rate used to translate the Group's Ecuadorian subsidiary financial statements for the year ended 30 June 2018 from United States dollars to Australian dollars was 1.3009 compared to 1.3254 for the financial year ended 30 June 2017.

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018, the Group had net assets of approximately A$230.4 million, an increase of approximately A$66.5 million over the previous financial year. This increase was largely associated with the completion of A$76.5 million in share placements, net of costs, offset by the exploration write off of A$376,031 recognised in respect of the Groups' exploration assets, the decrease in the value of available for sale financial assets of A$6.2 million and annual corporate operating expenses of approximately A$15.9 million.

CASH FLOW

Cash expenditure (before financing activities) for the year ended 30 June 2018 was A$87.2 million (2017 A$28.3 million). During the financial year ended 30 June 2018, cash of A$78,406,209 (2017: A$117,862,952) was received from the issue of shares via private placements and the exercise of share options. During the prior year A$852,736 received as unsecured short-term borrowings from DGR Global Ltd. No such borrowings were received during the current financial year. Accordingly, the net cash outflow of the Group for the year ended 30 June 2018 was A$11,593,982 (2017: inflow of A$90,249,820).

Cash of approximately A$76.8 million (2017: A$21.7 million) was invested by the Group on exploration expenditure during the year.

CLOSING CASH

As at 30 June 2018, the Group held cash balances of A$81.8 million (2017: A$89.3 million).

POST REPORTING DATE EVENTS

On 5 July 2018, the Company issued an additional 21,250,000 unlisted options to employees and contractors. The options have a strike price of £0.40 each and are exercisable through to 4 July 2020.

On 5 July 2018, the Company issued an additional 250,000 unlisted options to a contractor. The options have a strike price of £0.60 each and are exercisable through to 4 July 2021.

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.

OUTLOOK

The focus of the Group during the financial year ending 30 June 2019 will be to continue exploration as well as furthering the economic evaluation of its Cascabel project in Ecuador through the completion of a Preliminary Economic Assessment (PEA) and continue carrying out further exploration over the 72 tenements granted to SolGold's four Ecuadorian subsidiaries, including scout drilling on priority targets subject to environmental approvals.

KEY PERFORMANCE INDICATORS

Given the stage of the Group's operations, the Board monitors the following key performance indicators in measuring the Group's success:

- Drilling efficiency and the associated metres drilled.
- Total cost per metre drilled.
- Cost management and performance against budget.
- Health and safety management.
- Compliance with the Environmental Management Plan.
- Staffing mix and engagement of communities.

The review of the business with reference to key performance indicators is set out in the Operations Report and Financial Review on pages 20 to 40.

FINANCIAL CONTROLS AND RISK MANAGEMENT

The Board regularly reviews the risks to which the Group is exposed and ensures through Board Committees and regular reporting that these risks are managed and minimised as far as possible. The Audit Committee is responsible for the implementation and review of the Group's internal financial controls and financial risk management systems.

GROUP HAS NET ASSESTS OF APPROXIMATELY

A$230.4 MILLION

72

TENEMENTS GRANTED TO SOLGOLD'S FOUR ECUADORIAN SUBSIDIARIES

FINANCIAL REVIEW CONTINUED

EQUITY

Since the date of the last Annual Report, the Company has issued the following equities:

On 7 July 2017, the Company issued an additional 1,300,000 shares at £0.14 to raise A$0.31 million (£0.18 million) in cash as a result of the exercise of employment options.

On 7 July 2017, the Company issued an additional 1,300,000 shares at £0.28 to raise A$0.62 million (£0.36 million) in cash as a result of the exercise of employment options.

On 28 July 2017, the Company issued an additional 36,750,000 unlisted options to Directors. The options have a strike price of £0.60 each and are exercisable through to 8 August 2020.

On 9 August 2017, the Company issued an additional 10,012,000 unlisted options to employees and contractors. The options have a strike price of £0.60 each and are exercisable through to 8 August 2020.

On 11 August 2017, the Company issued an additional 690,000 shares at £0.38 to raise A$0.43 million (£0.26 million) in cash to Newcrest International pursuant to "top-up rights" held by Newcrest International pursuant to the Newcrest Subscription Agreement. The allotment price was based on the 10 day VWAP, in accordance with the terms of the Newcrest Subscription Agreement.

On 30 November, the Company issued 180,000,000 ordinary shares at £0.25 to raise A$77.0 million in cash pursuant to a private placement to continue to fund the continued exploration of the Cascabel Project, general working capital and SolGold's pan Ecuadorean exploration strategy.

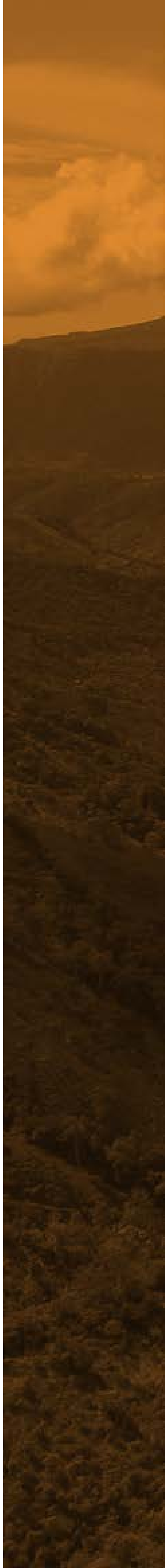
At year end the Company had a total of 1,696,245,686 shares and 88,353,768 options on issue.

POST YEAR END EQUITIES ISSUED

On 5 July 2018, the Company issued an additional 21,250,000 unlisted options to employees and contractors. The options have a strike price of £0.40 each and are exercisable through to 4 July 2020.

On 5 July 2018, the Company issued an additional 250,000 unlisted options to a contractor. The options have a strike price of £0.60 each and are exercisable through to 4 July 2021.

As at the date of this report, the Company had a total of 1,696,245,686 shares and 109,553,768 options on issue.



OUR **FOCUS** IS TO FURTHER THE **ECONOMIC EVALUATION** OF OUR **CASCABEL** PROJECT

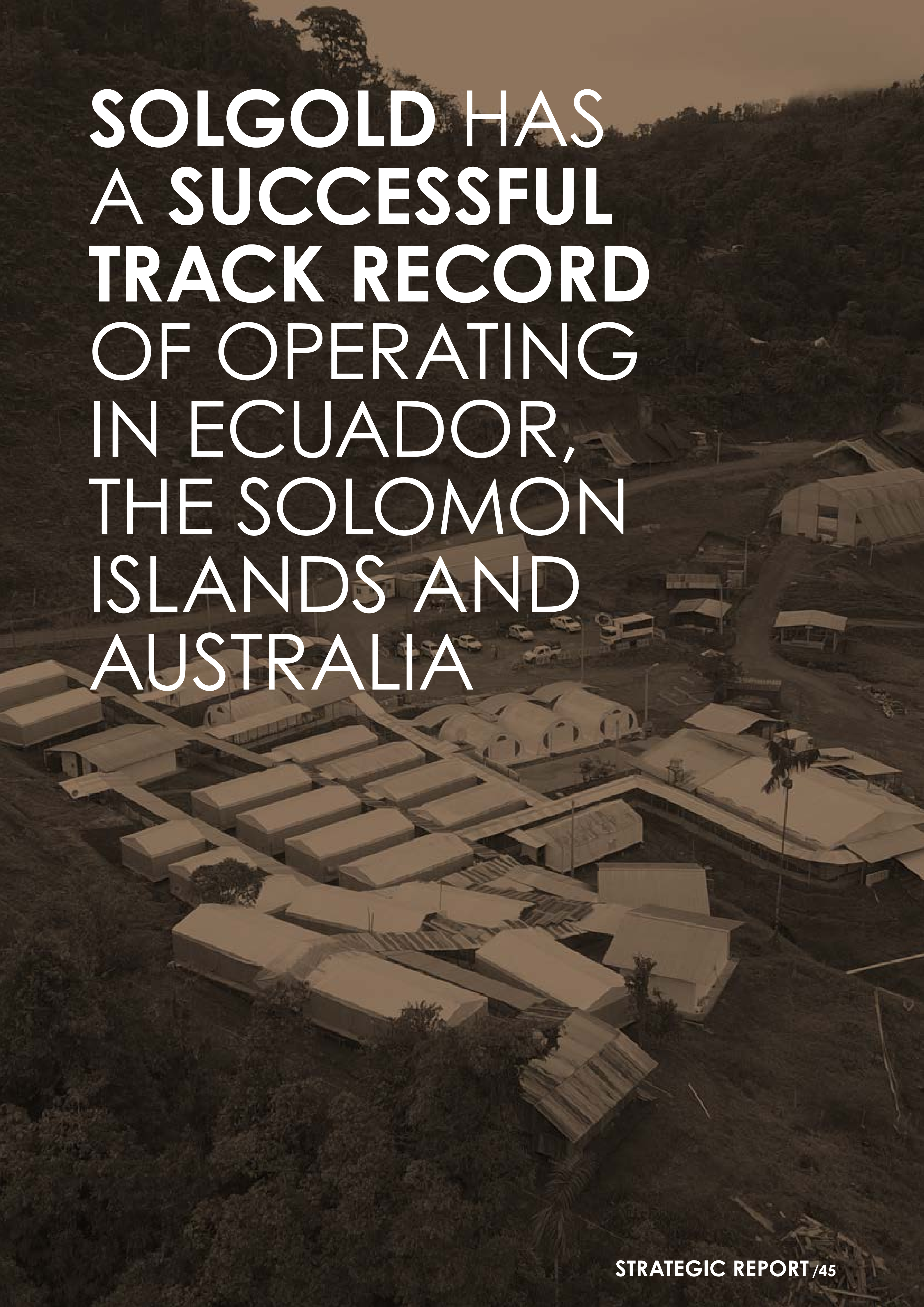
PRINCIPAL RISKS & UNCERTAINTIES

RISK	DESCRIPTION	KEY MITIGATORS
FUNDING RISKS	The exploration and development of the Group's projects will require substantial additional financing above and beyond the Group's current treasury. Current global financial conditions have been subject to significant volatility, and access to public financing, particularly for resource companies, has been negatively impacted in recent years. These factors may impact the Group's ability to obtain equity or debt financing in the future and additional financing may not be available, or if available, the terms of such financing may be unfavourable. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration and development on any or all of the Group's projects.	It is management's view that high quality exploration projects should always be capable of being financed. The executive management team regularly meet with advisors, shareholders and financiers to discuss the types of financing the Group are looking at to gauge their support.
GENERAL EXPLORATION AND EXTRACTION RISKS	Exploration activities are speculative, time-consuming and can be unproductive. In addition, these activities often require substantial expenditure to establish Reserves and Resources through drilling and metallurgical and other testing, determine appropriate recovery processes to extract copper and gold from the ore and construct mining and processing facilities. Once deposits are discovered it can take several years to determine whether Reserves and Resources exist. During this time, the economic viability of production may change. As a result of these uncertainties, the exploration programmes in which the Group is engaged in may not result in new Reserves.	The Group uses modern geophysical and geochemical exploration and surveying techniques. The Group employs a world class team of geologists with considerable regional expertise and experience. They are supported by a network of fully accredited laboratories capable of performing a range of assay work to high standards. Group Mineral Resource and Ore Reserve estimates are prepared by a team of qualified specialists following guidelines of NI 43-101, which is one of the most recognised reporting codes. Mineral Resource and Ore Reserve estimates are prepared by independent consultants.
TITLE RISK	SolGold's tenements and interest in tenements are subject to the various conditions, obligations and regulations which apply in the relevant jurisdictions including Ecuador in South America, Queensland, Australia and the Solomon Islands. If applications for title or renewal are required this can be at the discretion of the relevant government minister or officials. If approval is refused, SolGold will suffer a loss of the opportunity to undertake further exploration, or development, of the tenement. Some of the properties may be subject to prior unregistered agreements or transfers or native or indigenous peoples' land claims and title may be affected by undetected defects or governmental actions. No assurance can be given that title defects do not exist. If a title defect does exist, it is possible that SolGold may lose all or a portion of the property to which the title defects relates.	Successful relationships with governments, senior in-country officials and other key external stakeholders are built and maintained. This includes delivering on and adhering to the conditions attached to the tenement grant documents. SolGold currently knows of no reason to believe that current applications will not be approved, granted or renewed.

RISK	DESCRIPTION	KEY MITIGATORS
GEOPOLITICAL, REGULATORY AND SOVEREIGN RISK	SolGold's exploration tenements are located in Ecuador, the Solomon Islands and Australia and are subject to the risks associated with operating both in domestic and foreign jurisdictions. Operating in Ecuador and the Solomon Islands involves some risk of political instability, which may include changes in government, negative policy shifts and civil unrest. In addition, there is a risk that due to the deterioration of the macroeconomic situation, governments in Ecuador and the Solomon Islands may consider imposing currency controls and limitations on capital flows. These factors may have a negative impact on the ability of the Group to secure external financing and an adverse effect on the Group's market value.	SolGold has a successful track record of operating in Ecuador, Australia and the Solomon Islands and the Group actively monitors political developments on an ongoing basis. The management team aims to maintain open working relationships with local authorities in the countries where the Group operates.
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. Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or indigenous claims. Immediate access to land in the areas of activities cannot in all cases be guaranteed. SolGold may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, SolGold's tenements. Compensation may be required to be paid by SolGold to land holders so that SolGold may carry out exploration and/or mining activities. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted.	Attention is focussed on maintaining sound relations with local communities and working with these groups to enhance these relationships. The Group's social team, under the supervision of the country manager, continues to address any such issues and reports to the Board. Furthermore, there is regular dialogue with the affected communities by senior executives.

PRINCIPAL RISKS & UNCERTAINTIES CONTINUED

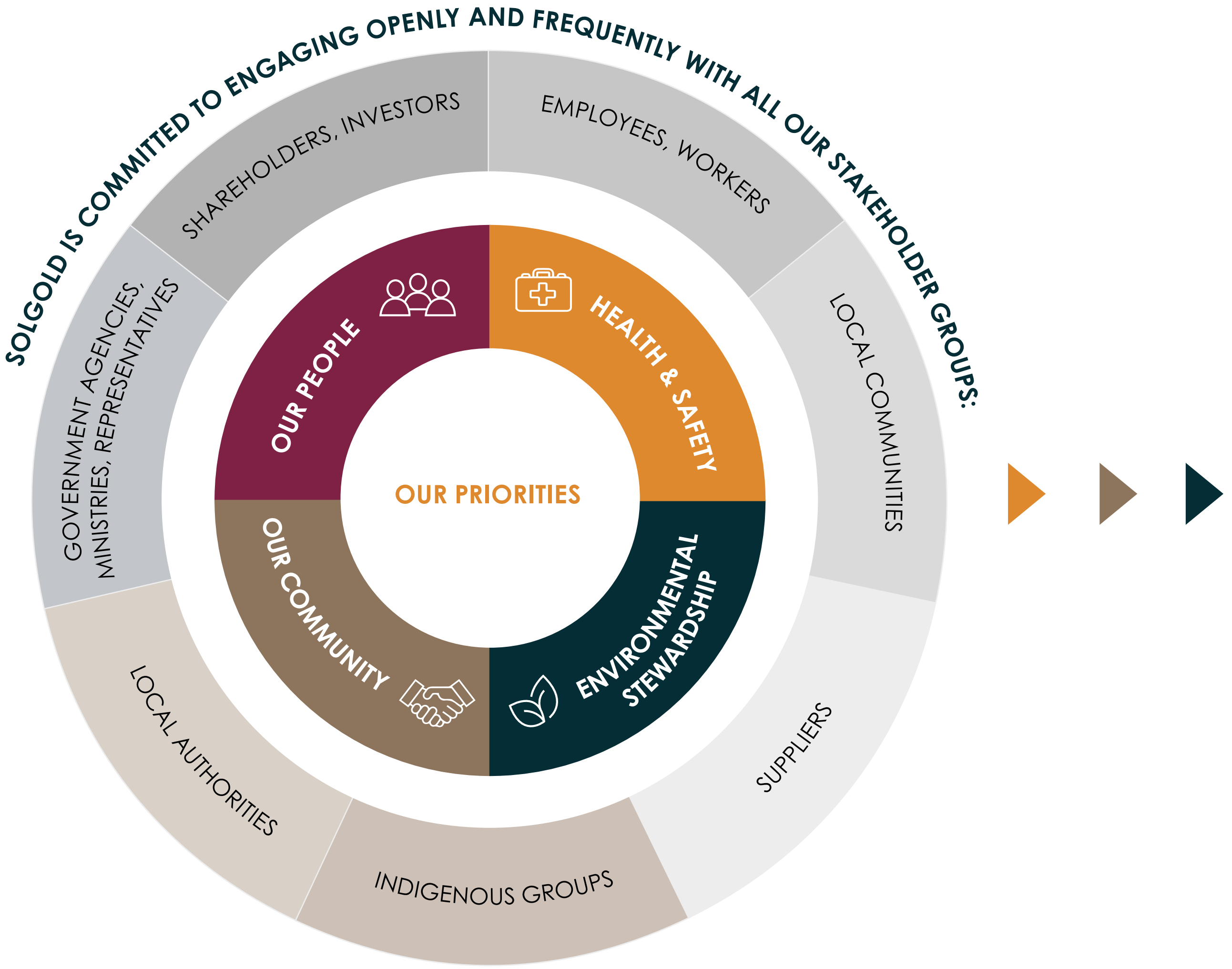
RISK	DESCRIPTION	KEY MITIGATORS
ENVIRONMENTAL RISK	The Group's Ecuadorian exploration activities are required to adhere to local environmental regulations. Any failure to adhere to local environmental regulations could adversely affect the Group's ability to explore under its exploration rights in Ecuador.	In line with all Ecuadorian mining companies, the management of this risk is based on compliance with the Environmental Management Plan. In order to ensure compliance, the Group provides adequate resources to this area including the employment of personal and the utilisation of third party consultants to audit the compliance with the Environmental Management Plan. To date, the Group has been fully compliant.
CURRENCY RISK	The Group's operations are sensitive to currency movements, especially those between the Australian Dollar, US Dollar and British Pound. These movements can have a negative impact on the Group's earnings. The parent company and the Ecuadorian subsidiaries are exposed to currency risk in regard to the US Dollar value of inter-company loan balances with its Ecuadorian operations. It arises as a result of the retranslation of US Dollar denominated inter-company loan balances into Australian Dollars that are held within Australia and which are payable by US Dollar functional currency subsidiaries. The Group is exposed to currency risk in regard to the retranslation of the Group's Ecuadorian functional currency net assets to the Australian Dollar reporting functional currency of the Group. A weakening of the US Dollar against the Australian Dollar can have a negative impact on the financial position and net asset values reported by the Group.	The Group attempts to mitigate these risks by managing its US dollar inflows and outflows and maintaining a significant portion of it cash and cash deposits in US dollars. No hedging instruments have been used by the Group, however, depending upon the nature and level of future foreign exchange transactions, consideration may be given to the use of hedging instruments.



SOLGOLD HAS A **SUCCESSFUL TRACK RECORD** OF OPERATING IN ECUADOR, THE SOLOMON ISLANDS AND AUSTRALIA

OUR SUSTAINABLE APPROACH

We are committed to a sustainable approach to exploration and mining. Transparent and responsible practices are critical to our long-term success.



OUR GOALS

- Injury and incident free workplace
- Equal opportunities for all employees
- Proactive contribution to local communities
- Positive understanding of benefits of responsible mining
- Rehabilitation and reforestation of land
- Responsible use of energy, water and other resources

A key priority during the year has been the development of a reporting system for corporate responsibility performance data to effectively measure, and report on, our performance across these CSR priorities. We look forward to sharing this performance next year.

OUR PEOPLE

Attracting and maintaining a skilled and diverse workforce is central to SolGold's success. An engaged, safe and motivated team maximises SolGold's ability to generate value for its stakeholders. The Group's policy is to attract staff and motivate employees by offering competitive terms of employment. The Group provides equal opportunities to all employees and prospective employees including those who are disabled. We are very proud to have a large, and skilled Ecuadorian workforce. SolGold, during the financial year ended 30 June 2018, employed an average of 455 people, of which 96% were Ecuadorian and 10% are women. Many of these women are geologists. The Strategic Report gives details of the Group's activities and policies concerning the employment, training, health and safety and community support concerning the Group's employees in Ecuador.

HEALTH & SAFETY

Health and Safety is the responsibility of everyone and SolGold recognises the importance of leading and promoting the highest principles and practices to ensure the safety and good health of all employees, contractors, community members and visitors.

SolGold is committed to achieving an injury and incident free workplace. We achieve this through the following activities:

- Education of health and safety risks.
- Implementation of health and safety procedures.
- Training.
- Provision of health and safety equipment and appropriately trained personnel.
- Prompt reporting of any injuries and incidents to ensure lessons are learnt and equipment and procedures are adapted if required.
- Regular review of compliance to health and safety policies to avoid complacency.

At Cascabel we have two medical facilities, one at the Rocafuerte camp and one at Alpala camp. The facilities have the necessary equipment to handle emergencies and medicine for outpatient treatment.

SAFEGUARDING

SolGold is committed to providing a workplace in which everyone, regardless of nationality, race, gender or religious belief is treated with respect and without sexual, physical or mental harassment.

TRAINING AND DEVELOPMENT

A comprehensive training and development programme is paramount to ensure the company has an appropriately skilled workforce, as well as a pipeline of skilled workers. SolGold implements a bespoke programme for each employee dependant on their abilities and personal development goals.

OUR COMMUNITY

SolGold believes that strong community relations are fundamental to creating a safe, sustainable and successful operations. Since arriving in Ecuador in 2012 SolGold has always placed the highest importance on creating and maintaining an open, respectful, proactive and productive relationships with all the communities within which SolGold operates. SolGold wants to empower the communities in which it operates and therefore makes strong alliances with state institutions and local governments to support the fulfilment of the specific development plans for the different communities.

We have multiple community relations teams, 6 employees in the Cascabel team and 2 employees in each of the other regional subsidiaries, that achieve this through the following activities:

- Hosting introductory meetings with communities within licence areas prior to the commencement of any exploration activities.
- Hosting regular consultation meetings to listen to and respond to concerns and to generate community-led ideas on how SolGold can actively help to overcome the specific local issues the communities have.
- Providing educational sessions on exploration and mining to help communities understand the processes and benefits.
- Implementing a diverse range of social initiatives.

There are 14 experienced professionals in our Social Team with backgrounds in human development, economics, agronomy and project management.

OUR SUSTAINABLE APPROACH CONTINUED

ENVIRONMENTAL STEWARDSHIP

Minimising our environmental footprint is a key priority for SolGold. We strive to go above and beyond the required environmental guidelines. Our goal is to undertake our operations in an environmentally responsible manner by integrating the protection of the environment into our everyday working practices.

We achieve this by:

- designing, developing and operating company facilities with the goal of minimising the environmental impact;
- implementing procedures and practices to ensure the efficient use of water, energy and other resources;
- responsibly managing the Company's waste;
- providing education and training of best practices to foster a culture of environmental stewardship; and
- regularly monitoring our environmental impact and adapting procedures and practices where required.

IN 2018 SOLGOLD JOINED

CERES

red libre

The strategic report was authorised for issue and signed on behalf of the Directors by

NICHOLAS MATHER
Executive Director

27 September 2018

CHICKEN FARM INITIATIVE

This is a productive project established this year with the aim to provide women in San Pedro with additional household income by raising and selling chickens. The project is run in conjunction with the Ministry of Agriculture. The ministry is responsible for training the participants in rearing chickens and animal welfare while SolGold provides the chickens, chicken coups, food and vaccines.

RECYCLING

Organic waste generated on camp is used as compost for the garden where plants for the reforestation project are cultivated. Inorganic wastes such as glass, plastic and cardboard bottles that are generated in the camps are sorted and recycling sent to companies that treat these materials.

REFORESTATION

Established a plant nursery which grows fruit and forest specimens for reforestation and agriculture. Plants include citrus, cocoa, coffee, cedar, mahogany and wax palm.

ON AVERAGE **40,000 PLANTS** ARE GROWN EVERY YEAR FOR FARMING AND REFORESTATION

THE NURSERY BENEFITS **250** LOCAL FAMILIES ANNUALLY

5 LOCAL COMMUNITY MEMBERS ARE EMPLOYED AT THE PLANT NURSERY

THE TEAM HAS REHABILITATED **75%** OF THE AREAS AFFECTED BY ADVANCED EXPLORATION AT CASCABEL

BAKERY INITIATIVE

An enterprise that allows women in the community to generate additional household income. A project in collaboration with the Mayor's Office of Ibarra. SolGold purchased the property and all necessary equipment and helped the community renovate the building while the mayor's office provided the necessary training for the women.

BOARD OF DIRECTORS

BRIAN MOLLER (59)

NON-EXECUTIVE CHAIRMAN

DATE APPOINTED

11 May 2005

COMMITTEE

● ● ●

EXPERIENCE

Mr Moller, was appointed Non-Executive Director on 11 May 2005 and assumed the role of Non-Executive Chairman on 28 February 2013, is a corporate partner in the Brisbane-based law firm Hopgood Ganim Lawyers, the Australian solicitors to the Company. He was admitted as a solicitor in 1981 and has been a partner at Hopgood Ganim since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

Mr Moller holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Mr Moller acts for many publicly-listed resource and industrial companies and brings a wealth of experience and expertise to the Board, particularly in the corporate regulatory and governance areas. He is a Non-Executive Director of ASX listed DGR Global Limited, Dark Horse Resources Limited, and TSX-V listed, Aguia Resources Limited and the non-executive Chairman of ASX-listed Aus Tin Mining Limited, Lithium Consolidated Mineral Exploration Ltd and Platina Resources Limited.

NICHOLAS MATHER (61)

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

DATE APPOINTED

11 May 2005

COMMITTEE

●

EXPERIENCE

Nicholas graduated from the University of Queensland with a B.Sc. (Hons, Geology) and has 30 years' experience across all levels of the junior resource sector. Mr. Mather has a special area of experience and expertise in the generation of, and entry into unrecognised resource exploration opportunities. Nicholas has been instrumental in the delivery of major resource projects that resulted in nine takeovers and 5 billion dollars in shareholder return.

Nicholas was co-founder of Arrow Energy and was responsible for the generation of its Surat Basin Coal project. He was founder and Chairman of Waratah Coal and co-founder and Non-Executive Director of Bow Energy, from inception to takeover. Nicholas and the DGR Global team founded Orbis Gold and continued to hold a significant equity stake and board position until its takeover in 2015. As CEO of BeMax Resources, Nicholas headed the discovery of the Pooncarie mineral sands project. He was also a Non-Executive Director of Ballarat Goldfields.

Nicholas is currently Managing Director of DGR Global, Executive Chairman of Armour Energy, Non-Executive Director of Dark Horse Resources, Aus Tin Mining, Lakes Oil and IronRidge Resources.

DR. ROBERT WEINBERG (71)

SENIOR INDEPENDENT DIRECTOR

DATE APPOINTED

22 November 2005

COMMITTEE

● ● ●

EXPERIENCE

Dr Weinberg, was appointed 22 November 2005 as a Non-Executive Director, and to be considered as a Senior Independent Director of the Company, gained his doctorate in geology from Oxford University in 1973. Dr Weinberg has more than 40 years' experience of the international mining industry and is an independent mining research analyst and consultant. He is a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining. Dr Weinberg has been an independent non-executive director of a number of minerals exploration, development and mining companies.

Prior to his current activities Dr Weinberg was Managing Director, Institutional Investment at the World Gold Council. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities. Dr Weinberg has also held senior positions within Société Générale and was head of the mining team at James Capel & Co. Dr Weinberg was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

JOHN BOVARD (73)

NON-EXECUTIVE DIRECTOR

DATE APPOINTED

2 November 2009

COMMITTEE

● (Chair) ● (Chair) ●

EXPERIENCE

Mr Bovard, appointed 2 November 2009, is a civil engineer with over 50 years experience in mining, heavy construction, project development and corporate management. Mining project activities have ranged from feasibility studies through project management of construction, commissioning and management of operating mines.

Corporate activities have included establishing new companies and turning around others. He was the inaugural CEO of St Barbara Mines (ASX), inaugural Chairman of Orbis Gold (ASX), Chairman of Greenwich Resources (LSE), CEO of Asia-Pacific Resources (TSX) and CEO of the group of companies that developed the Super Pit in Kalgoorlie. He has also been a non-executive director or CEO of a number of other smaller resource companies.

Other major projects include the early construction stages of both Ok Tedi (as GM) and Porgera (as project manager and GM) and the $800 M Queensland Phosphate Project as project director.

Areas worked in outside of Australia include PNG, Thailand, Solomon Islands, several North African countries, several Central Asian countries together with Mongolia and China.

He holds a Bachelors 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.

CRAIG JONES (47)

NON-EXECUTIVE DIRECTOR

DATE APPOINTED

3 March 2017

COMMITTEE

●

EXPERIENCE

Mr Jones, appointed 3 March 2017, holds a Bachelor of Mechanical Engineering from the University of Newcastle, Australia, 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.

Mr Jones is currently the Executive General Manager Wafi-Golpu (Newcrest / Harmony). Prior to joining Newcrest, Mr Jones worked for Rio Tinto.

Mr Jones' operational and block cave mining expertise, particularly relevant in the context of the Company's existing Alpala deposit at Cascabel in Northern Ecuador.

JAMES CLARE (42)

NON-EXECUTIVE DIRECTOR

DATE APPOINTED

26 April 2018

COMMITTEE

●

EXPERIENCE

Mr Clare, appointed 26 April 2018, is a partner at Bennett Jones LLP, one of Canada's leading corporate law firms. He is a corporate and securities lawyer with extensive experience in the mining sector both domestically and internationally. Mr Clare is recognised by Lexpert as a leading mining lawyer in Canada, and repeatedly recommended for his experience in mining, corporate finance and securities law by the Canadian Legal Lexpert Directory.

Mr Clare also currently acts as a non-executive Director of PJX Resources Inc, Riverside Resources Inc and Spanish Mountain Gold Ltd.

Mr Clare was extensively involved with SolGold's TSX listing process and provides ongoing legal and corporate advice to the Company in relation to its Canadian regulatory and business matters.

KARL SCHLOBOHM (50)

COMPANY SECRETARY

DATE APPOINTED

n/a

COMMITTEE

n/a

EXPERIENCE

Mr Schlobohm, appointed 14 April 2009, has over twenty five years' experience across a wide range of businesses and industries. He has previously been contracted into CFO roles with ASX-listed resource companies Discovery Metals Limited and Meridian Minerals Limited, and as Company Secretary of ASX-listed Linc Energy Limited, Agenix Limited, Discovery Metals Limited and Global Seafood Australia Limited.

Mr Schlobohm is a Chartered Accountant and holds Bachelor's Degrees in Commerce and in Economics, and a Master's Degree in Taxation. He is also a fellow of the Governance Institute of Australia.

Mr Schlobohm is also contracted to act as the Company Secretary of the AIM listed IronRidge Resources Limited and ASX-listed DGR Global Limited, Dark Horse Resources Limited, Aus Tin Mining Limited and Armour Energy Limited

COMMITTEE MEMBERSHIP KEY

- ● Audit and Risk Management Committee
- ● Remuneration Committee
- ● HSEC Committee

CORPORATE GOVERNANCE

APPROACH TO CORPORATE GOVERNANCE

SolGold moved from the AIM Board to the Main Board of the London Stock Exchange in October 2017 via a standard listing. Accordingly, it is only required to comply with the relevant Listing Rules, the Disclosure and Transparency Rules of the UK Corporate Governance Code (the "Code") and the Prospectus Rules, but not the super-equivalent provisions of the Listing Rules which apply to companies with a premium listing. The Directors are, however, committed to maintaining high standards of corporate governance as detailed in the Company's Corporate Governance Charter and continue to voluntarily adopt and comply with the Quoted Company Alliance Code ("QCA Code").

Given the Company's size, stage of development and resources, the Directors acknowledge that adherence to certain provisions of the QCA Code may be delayed until such time as the Directors are able to fully adopt them. In particular, the Company has not established a nominations committee, as it is considered unnecessary at this stage of the Company's development. The Board as a whole will consider potential Director appointments on a case by case basis.

The Company is also subject to various corporate laws and regulations in Canada and Australia as a result of being a reporting issuer in Canada and a registered foreign corporation in Australia.

BOARD AND COMMITTEE STRUCTURE

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Company's affairs through the schedule of matters reserved for its determination. The Board is collectively responsible for approving the long-term objectives and strategy of the Company. 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 Chair of the Board is Mr Brian Moller, who is a Non-Executive Director. As Chair, Mr Moller is responsible for leadership of the Board, for efficient organization and conduct of the Board's function and the briefing of all Directors in relation to issues arising at Board Meetings. The Chair is also responsible for shareholder communication, arranging Board performance evaluation and setting the tone for the Company's approach to corporate governance.

The terms of appointment for each of the Company's Directors is set out under a Letter of Appointment, which contains, amongst other things, the expected time commitment for Directors to attend:

- all Director's Board and Strategy Meetings;
- all shareholder's Meetings;
- any special Board or other meeting that may be convened (including committee meetings of which the Director is a member); and
- time required to liaise with fellow Directors.

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

The Board of the Company is currently made up of one Executive Director and five Non-Executive Directors. Messrs John Bovard, Dr. Robert Weinberg, Craig Jones and James Clare are considered to be independent by the Board. Nicholas Mather is not independent as he is the Chief Executive Officer of the Company. Brian Moller is not considered independent as he is a partner in the Australian firm Hopgood Ganim Lawyers for the provision of legal services to the Company. These professional services are based on normal commercial terms and conditions.

Dr Robert Weinberg is considered to be the Company's Senior Independent Director (SID). The role of the SID is to be available to shareholders to discuss any concerns they may have about the running of the Company where the normal channels of communication are not appropriate. The SID is usually expected to lead discussions at meetings of Non-Executive Directors without the Chairman present on an annual basis.

The Board has delegated the Chief Executive Officer ("CEO") for running the day-to-day management of the Company under clearly defined terms of reference. The CEO is supported by experienced management team including the Exploration Manager, UK Markets and Investor Relations Executive, the Chief Financial Officer and Company Secretary of the Company.

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 or her duties.

Other responsibilities are devolved to the Audit and Risk Management, Remuneration and Health, Safety, Environment and Community (HSEC) Committees, which are described more fully below. The terms of reference of each Committee, and the matters reserved to the Board, are available on the Company's website.

BOARD CHANGES DURING FY2018

Mr James Clare was appointed as a Non-Executive Director to the SolGold Board of Directors on 1 May 2018. The details of his qualification and experience are shown on page 51.

The Company considers Dr Robert Weinberg to be a Senior Independent Director. His experience and expertise will continue to provide strong oversight on the Board together with supporting the further development of the Company's strategy.

ATTENDANCE RECORD

Directors' attendance at Board and Committee meetings which they were eligible to attend the meetings during 2018 was as follows:

	FULL BOARD	● (Audit and Risk Management)	● (Remuneration Committee)	● (HSEC Committee)
Total Meetings Held	8	2	–	–
Attendance:				
Brian Moller	8	2	1	–
Nicholas Mather	8	–	–	–
John Bovard	7	2	1	–
Robert Weinberg	7	2	1	–
Craig Jones	8	–	–	–
James Clare	3	–	–	–

Committee key: ● Audit and Risk Management
● Remuneration Committee
● HSEC Committee

NOMINATION OF DIRECTORS

The Board does not currently have a formal Nomination Committee. The Board as a whole is responsible for identifying and recommending candidates for Directorial appointment. The Board reviews and makes determinations with respect to:

- the size and composition of the Board;
- the organization and responsibilities of the committees of the Board;
- the evaluation process for the Board and committees of the Board and the chairpersons of the Board and such committees; and
- creating a desirable balance of expertise and qualifications among members of the Board.

In any Director nomination process, the Board assesses its current composition and requirements going forward in light of the stage of the Company's project and corporate development 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, which is available on the Company's website, in respect of those Directors that are nominated by a Shareholder and the nominating shareholders.

BOARD EVALUATION

During 2018 and as part of the processes for its LSE and TSX listings, the Board reviewed its performance from the point of view of its composition, mix of skills, committee composition and roles. As a result of this review, the following matters were determined:

- separation of the roles of chairman and chief executive, appointment of a Canadian based independent Non-Executive in May 2018;
- amendment of Corporate Governance Charters and policies in compliance with rules and regulations with the admission to the LSE and or the TSX listing;

The Board will continue to regularly review and monitor its composition and performance having regard to the evolving complexity of the Company's activities and operations, and make changes as appropriate. The Company is in the process of establishing the criteria against which its performance and effectiveness will be measured and how frequently evaluations of the Board and the Board Committees will take place. These matters will be reported on in the future.

CORPORATE GOVERNANCE CONTINUED

ORIENTATION AND CONTINUING EDUCATION

Incoming Directors are provided with access to the CEO and the Company Secretary to gain a full understanding of the Company, its projects, personnel and policies & procedures.

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

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 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.

RELATIONS WITH SHAREHOLDERS

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 LSE and TSX Listing Rules. The Company's principal communication with its investors is through the quarterly Management Discussion and Analysis (the "MD&A"), the Annual General Meeting, the annual report and accounts, the interim statement and its website, twitter together with the e-mail news service.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for the Company's risk management and internal control system and determine the nature and extent of the principal risks and uncertainties of the Company. The Board has delegated the Audit and Risk Committee to monitor the effectiveness of the Company's risk management processes on behalf of the Board. The Board, supported by executive management will also enhance the review and closely monitoring the Company's principal risks and uncertainties.

The principal risks and uncertainties identified by the Company are shown on pages 42 to 44. The Company is diligent in minimising exposure to business risks, but by the nature of its activities and size, will always have some risks. These risks are not always quantifiable due to their uncertain nature. Should one or more of these risks and uncertainties materialise, or should underlying assumptions prove incorrect, then actual results may vary materially from those described in forward-looking statements.

The Company's system of internal control is designed to provide the Directors with reasonable, but not absolute, assurance that the Company will not hindered in achieving its business objectives, or in the orderly and legitimate conduct of its business, by circumstances that may reasonably be foreseen. However, no system of internal control can eliminate the possibility of human error, fraud or other unlawful behaviour, management overriding controls, and the resulting potential for material misstatement or loss.

The process used by the Board to review the effectiveness of the internal controls are through the Audit and Risk Management Committee, and the executive management reporting to the Board on a regular basis where business plans and budgets, including investments are appraised and agreed. The Board also seeks to ensure that there is proper organisational and management structure with clear responsibilities and accountability.

A statement of Director's responsibilities in light of the financial statement is on page 59.

COMMITTEE REVIEWS

As described above, one of the functions of the Board is to form and monitor any special purpose Committee established to review certain aspects of the operations of the Company, having regard to these principles.

So far to date, the Board has established an Audit & Risk Management Committee; a Remuneration Committee and a Health, Safety, Environment and Community (HSEC) Committee.

The Board has not yet formally established a Corporate Governance Committee; or a Nomination Committee. As the Board considers that the Company is not of a size nor is its affair of such complexity as to justify the formation of these Committees as at the date of this report. Rather, the Board as a whole is able to address the issues that would otherwise be addressed by such Committees and is guided by the principles set out in the Corporate Governance Charter that is available on the Company's website. The Company will review this position annually and determine whether additional special purpose Committee need to be established.

AUDIT AND RISK COMMITTEE

COMPOSITION

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

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

The Committee members have a wide range of financial and commercial experience, which the Board considers appropriate to fulfil the Committee's duties. Details of the experience and qualifications of Committee members are set out on pages 50 and 51.

ROLE AND RESPONSIBILITIES

The objective of the Committee is to assist the Board in discharging its responsibility to exercise due care, diligence and skill in monitoring decisions and processes designed to ensure the integrity of financial reporting, to establish sound systems of internal control and to facilitate robust risk management processes.

The Committee's term of reference set out its main responsibilities and are available on the Company's website. The Committee is responsible for:

Audit Related

- monitoring the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance and reviewing significant financial reporting judgements contained in them prior to their approval by the Board;
- reviewing the Company's internal financial controls;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- reviewing the scope and results of both external and internal audits;
- monitoring corporate conduct and business ethics, including auditor independence and ongoing compliance with laws and regulations;
- maintaining open lines of communication between the Board, Management and the external auditors, thus enabling information and points of view to be freely exchanged;
- reviewing matters of significance affecting the financial welfare of the Company;
- ensuring that systems of accounting and reporting of financial information to shareholders, regulators and the general public are adequate;
- reviewing the Company's internal financial control system;
- considering the appointment, re-appointment, removal, remuneration and terms of engagement of the external auditor and making recommendations to the Board in respect of the same;
- monitoring and reviewing the external auditor's independence, objectivity and the effectiveness of the audit process, taking into consideration relevant professional and regulatory requirements; and
- developing and implementing policy on the engagement of the external auditor to supply non audit services, taking into account relevant ethical guidance regarding the provisions of non-audit services by the external audit firm and reporting to the Board in respect of the same.

Risk Related

- ensuring the development of an appropriate risk management policy framework that will provide guidance to Management in implementing appropriate risk management practices throughout the Company's operations, practices and systems;
- defining and periodically reviewing risk management as it applies to the Company and clearly identify all stakeholders;
- ensuring the A&R Committee clearly communicates the Company's risk management philosophy, policies and strategies to Directors, Management, employees, contractors and appropriate stakeholders;
- ensuring that Directors and Management establish a risk aware culture which reflects the Company's risk policies and philosophies;
- reviewing methods of identifying broad areas of risk and setting parameters or guidelines for business risk reviews;
- reviewing the Company's internal control and risk management systems and making informed decisions in respect of the same;
- considering capital raising, treasury and market trading activities with particular emphasis on risk treatment strategies, products and levels of authorities; and
- implementing and reviewing arrangements by which Directors, Management, employees and contractors may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

MAIN ACTIVITIES COVERED DURING FY2018

The Committee's activities focussed on the following matters during FY2018:

- reviewing the impairment assessment of exploration and evaluation assets;
- reviewing the asset carrying values and other material accounting matters;
- discussing equity transactions and share based payments;
- MD&A report preparation to comply with TSX regulatory requirements;
- reviewing all documents within the Annual Report and half-yearly financial input.

REMUNERATION COMMITTEE

COMPOSITION

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 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), Nicholas Mather, Robert Weinberg and Brian Moller. Details of the experience and qualifications of Committee members are set out on pages 50 and 51.

ROLE AND RESPONSIBILITIES

The Remuneration Committee is responsible for reviewing the remuneration Policies and practices of the Company and making recommendations to the Board in relation to:

- executive remuneration and executive incentive plans;
- the remuneration packages for management including the Chief Executive Officer and Non- Executive Director remuneration;
- the Company's recruitment, retention and termination policies and procedures for senior management; and
- incentive plans and share allocation schemes and superannuation arrangements.

The Committee's term of reference set out its main responsibilities and are available on the Company's website.

MAIN ACTIVITIES COVERED DURING FY2018

The Committee's activities focussed on the following matter during FY2018:

- review and establish MD/CEO contract having regard to advice obtained from an independent remuneration consultant; and
- reviewed the remuneration arrangements for the Company's senior geological staff.

HSEC COMMITTEE

The main purpose of the Committee is to review, monitor and make recommendations to the Board in respect of the environmental, health, safety and community policies and activities of the Company in order to ensure that such policies and activities reflect and are in accordance with the matters set out below.

The Committee may review or investigate any activities of the Company relating to the health, safety and environment and will have unrestricted access to any officers and employees of the Company, independent consultants and advisors, and such information and resources as the Committee considers necessary in order to perform its duties and responsibilities.

The Committee's term of reference set out its main responsibilities and are available on the Company's website.

COMPOSITION

Currently the fully Board of the Group currently fulfils this role.

ROLE AND RESPONSIBILITIES

In discharging its responsibilities, the Committee is expected to do the following:

- review, formulate and revise with management the Company's goals, policies and programs relative to environmental, health and safety and social issues;
- make inquiries and recommendations to the Board in respect of the Company's compliance with applicable environmental and occupational health and safety laws, regulations, and internal operating procedures and standards;
- review with management the Company's risk assessment, risk exposure and risk management in respect of environmental, health and safety matters;
- review with management the Company's record of performance on environmental, health and safety matters, along with any proposed actions based on such record;
- inform the Audit Committee of the Board in respect of significant changes in financial risk or potential disclosure issues related to environmental, health and safety matters;
- perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee shall deem appropriate;
- review and reassess the adequacy of these Terms of Reference on a regular basis and submit any proposed revisions to the Board for consideration and approval; and
- on a regular basis, review and assess the adequacy of the Company's individual Policies relating to sustainable development.

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2018.

RESULTS

The Group's consolidated loss for the year was A$19,683,060 (2017: A$4,499,972).

CHANGES IN SHARE CAPITAL DURING 2018

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 (2017: 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 and accounts payable. In addition to the Group's financial instruments, the Company's financial instruments also include its loans to subsidiaries. Further details of financial risk management objectives and policies, and exposure of the Group and Company to financial risks are provided in note 20 to the financial statements.

DONATIONS

No political or charitable donations were made during the year (2017: Nil).

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. The Group has $81,825,617 in cash and cash equivalents at 30 June 2018 and has sufficient working capital levels to carry out its planned exploration activities for the following 12 months.

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.

GLOBAL GREENHOUSE GAS EMISSIONS

This section contains information on green house gas ("GHG") emissions required by Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (the "Regulations").

METHODOLOGY

The methodology used for the calculation of emissions was the GHG Protocol Corporate Accounting and Reporting Standard (revised edition to 2015). The standard covers the accounting and reporting of seven greenhouse gases mandatory – carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PCFs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3), and it covers the company's operational boundaries.

The Company has reported on all of the emission sources required under the Regulations.

The Company does not have responsibility for any emission sources that are not included in its consolidated statements.

CONSOLIDATION APPROACH AND ORGANISATION BOUNDARY

An operational control approach was used to define the Company's organisational boundary and responsibility for GHG emissions. All material emission sources within this boundary have been reported upon, in line with the requirements of the Regulations.

SCOPE OF REPORTED EMISSIONS

Emissions data from sources within Scope 1 and Scope 2 of the Company's operational boundaries is detailed on page 58. This includes emissions from direct activities of the operation, this include: the use of vehicles owned by the company for transportation of machinery, material and personnel, operation of machinery for perforation, the use of generator for electricity in the camps, LPG is camps and composting activities (Scope 1), as well as Emissions from activities of the operation associated with the consumption and purchase of electricity from the grid for the camps (Scope 2).

INTENSITY RATIO

In order to express, the GHG emissions in relation to a quantifiable factor associated with the Company's activities, drilling metres were chosen as a normalisation factor. This will allow comparison of the Company's performance over time, as well as with other companies in the sector.

The intensity ratio for "Cascabel" operations is of 0.05CO_2e/metre drilled in the reporting year (1 July 2017 to 30 June 2018).

TOTAL GREENHOUSE GAS EMISSIONS DATA FOR THE YEAR FROM 1 JULY 2017 TO 30 JUNE 2018

YEAR CHOSEN AS BASE YEAR (FINANCIAL YEAR) 1 JULY 2017–30 JUNE 2018

BASE YEAR EMISSIONS

EMISSIONS	TOTAL ($mtCO_2e$)	CO_2 ($mtCO_2e$)	CH_4 ($mtCO_2e$)	N_2O ($mtCO_2e$)	HFCs ($mtCO_2e$)	PFCs ($mtCO_2e$)	SF_6 ($mtCO_2e$)
Scope 1	4569	4548	8	13	–	–	–
Scope 2	25	25	0	0	–	–	–
TOTAL	4594	4573	8	13	–	–	–

CURRENCY

The functional currency of SolGold plc and its 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.

DIRECTORS

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
Craig Jones	Non-Executive Director
James Clare	Non-Executive Director – appointed 1 May 2018

The Company has a Directors' and Officers' Liability insurance policy for all its Directors.

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 re-appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

SUBSEQUENT EVENTS

On 5 July 2018, the Company issued an additional 21,250,000 unlisted options to employees and contractors. The options have a strike price of £0.40 each and are exercisable through to 4 July 2020.

On 5 July 2018, the Company issued an additional 250,000 unlisted options to a contractor. The options have a strike price of £0.60 each and are exercisable through to 4 July 2021.

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 is not covered in this report and would have a material impact on the consolidated or Company financial statements.

DIRECTORS' RESPONSIBILITY 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 financial statements and have elected to prepare the 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.

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;
- 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; and
- prepare a director's report, a strategic report and director's remuneration report which comply with the requirements of the Companies Act 2006.

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.

DIRECTORS' RESPONSIBILITIES PURSUANT TO DTR4

The Directors confirm to the best of their knowledge:

- the Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and give a true and fair view of the assets, liabilities, financial position and profit and loss of the Group; and
- the annual report includes a fair review of the development and performance of the business and the financial position of the Group and the parent company, together with a description of the principal risks and uncertainties that they face.

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 27 September 2018 and signed on its behalf.

KARL SCHLOBOHM

Company Secretary

Level 27, 111 Eagle St
Brisbane QLD 4000
Australia

REMUNERATION REPORT

STATEMENT OF THE CHAIRMAN OF THE REMUNERATION COMMITTEE

JOHN BOVARD
Non-Executive Director

CHAIRMAN'S STATEMENT

The remuneration committee presents its report for the year ended 30 June 2018.

The Annual Remuneration Report details remuneration awarded to Directors and Non-Executive Directors during the year. The shareholders will be asked to approve the Annual Remuneration Report as an ordinary resolution at the AGM in December 2018.

A copy of the remuneration policy, which details the remuneration policy for Directors, can be found at www.solgold.com.au. The current remuneration policy was part of the meeting materials at the AGM in January 2018.

The remuneration committee reviewed the existing policy and deemed no changes necessary to the current arrangements.

Both of the above reports have been prepared in accordance with The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Company's auditors, BDO LLP are required by law to audit certain disclosures and where disclosures have been audited they are indicated as such.

JBovard

JOHN BOVARD
Chairman – Remuneration Committee

Level 27, 111 Eagle St
Brisbane QLD 4000
Australia

REMUNERATION GOVERNANCE

The Remuneration Committee is a standing committee of the Board that meets periodically and is responsible for making decisions on Directors' and key management executive's remuneration packages. The Remuneration Committee has among other duties the responsibility to recommend to the Board the compensation of the CEO and that of key management.

The remuneration of key management executives is determined by the Executive Director who considers it essential, notwithstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre for that role. Consequently, the Company believes that it is in the interests of Shareholders that key management executives should be provided with options in addition to the level of fees and salaries considered affordable.

The Remuneration Committee is currently comprised of four members: Mr. John Bovard (the Chair of the Remuneration Committee), Mr. Nicholas Mather, Dr. Robert Weinberg and Mr. Brian Moller, all of whom are independent Directors, other than Mr. Nicholas Mather.

The Board recognises the significance of appointing independent, knowledgeable and experienced individuals to the Remuneration Committee who have the necessary background in executive compensation and risk management to fulfill the Remuneration Committee's duties and responsibilities.

DIRECTOR COMPENSATION

A function of the Remuneration Committee is to assist the Board in fulfilling its responsibilities relating to the compensation of the Directors of the Company. The Remuneration Committee is empowered to review the compensation levels and components of the Company's Directors and to report and make recommendations thereon to the Board and to consider any other matters which, in the Remuneration Committee's judgment, should be taken into account in reaching any recommendation to the Board concerning the compensation levels of the Company's Directors.

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

REMUNERATION DETAILS

Single total figure of remuneration for the years ended 30 June 2018 and 2017:

		SALARIES AND FEES A$	BONUSES A$	BENEFITS A$	TOTAL BEFORE SHARE OPTIONS A$	SHARE OPTIONS A$	TOTAL A$
Brian Moller	2018	110,000	–	–	110,000	633,361	743,361
	2017	50,000	–	–	50,000	–	50,000
Nicholas Mather	2018	400,000	–	–	400,000	4,433,528	4,833,528
	2017	316,667	100,000	–	416,667	–	416,667
Robert Weinberg	2018	70,000	–	–	70,000	380,017	450,017
	2017	50,000	–	–	50,000	–	50,000
John Bovard	2018	70,000	–	–	70,000	380,017	450,017
	2017	50,000	–	–	50,000	–	50,000
Craig Jones	2018	70,000	–	–	70,000	380,017	450,017
	2017	16,667	–	–	16,667	–	16,667
James Clare	2018	11,667	–	–	11,667	–	11,667
	2017	–	–	–	–	–	–
Total remuneration	2018	**731,667**	**–**	**–**	**731,667**	**6,206,940**	**6,938,607**
	2017	**483,334**	**100,000**	**–**	**583,334**	**–**	**583,334**

SUMMARY OF DIRECTORS' TERMS

	DATE OF CONTRACT	UNEXPIRED TERM	NOTICE PERIOD
Brian Moller	12 December 2005	Retire by rotation under the Articles of Association of the Company	3 months
Nicholas Mather	23 June 2017	3 years	12 months
Robert Weinberg	12 December 2005	Retire by rotation under the Articles of Association of the Company	3 months
John Bovard	2 November 2009	Retire by rotation under the Articles of Association of the Company	3 months
Craig Jones	27 February 2017	Retire by rotation under the Articles of Association of the Company	3 months
James Clare	26 April 2018	Retire by rotation under the Articles of Association of the Company	3 months

SHARE OPTION SCHEMES

The share incentive plan (the "Share Incentive Plan") of the Company was adopted by the Board in July 2017 and approved by shareholders at the annual general meeting held on July 28, 2017. The Company understands that the establishment of a balance between short and long-term compensation is essential for the Company's sustained performance, including its ability to attract, motivate and retain a pool of talented executives and directors in a very competitive employment market as well as to ensure a proper alignment of the executives and directors interests with those of shareholders. As of 30 June 2018, the following options have been issued under the Share Incentive Plan:

	BALANCE AT 30 JUNE 2017	GRANTED AS REMUNERATION	EXERCISED	BALANCE AT 30 JUNE 2018	OPTION PRICE	EXERCISE PERIOD
Directors						
Brian Moller	1,100,000	26,250,000	(1,100,000)	26,250,000	60p	28/01/19 – 08/08/20
Nicholas Mather	1,500,000	3,750,000	(1,500,000)	3,750,000	60p	28/01/19 – 08/08/20
Robert Weinberg	–	2,250,000	–	2,250,000	60p	28/01/19 – 08/08/20
John Bovard	–	2,250,000	–	2,250,000	60p	28/01/19 – 08/08/20
Craig Jones	–	2,250,000	–	2,250,000	60p	28/01/19 – 08/08/20
James Clare	–	–	–	–	–	–
Total	**2,600,000**	**36,750,000**	**(2,600,000)**	**36,750,000**		

No consideration is payable for the grant of options under the Share Incentive Plan.
The options at 30 June 2018 were unvested.

PAYMENTS TO PAST DIRECTORS

No payments were made to past directors in the year ended 30 June 2018.

PAYMENTS FOR LOSS OF OFFICE

No payments for loss of office were made in the year ended 30 June 2018.

.STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTEREST

DIRECTORS' INTERESTS

The interests of the Directors in the shares of the Company, including family and trustee holdings where appropriate, were as follows:

	BENEFICIAL		NON BENEFICIAL	
	30 JUNE 2018	30 JUNE 2017	30 JUNE 2018	30 JUNE 2017
Brian Moller	5,189,121	4,089,121	–	–
Nicholas Mather	89,918,275	89,268,275	–	–
Robert Weinberg	4,296,091	4,296,091	–	–
John Bovard	3,858,813	3,858,813	–	–
Craig Jones	–	–	–	–
James Clare	–	–	–	–
	103,262,300	**101,512,300**	–	–

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

During the financial year, the Company has generated losses as its principal activity was mineral exploration.

The following table show the share price at the end of the financial year for the Company for the past five years:

	30 JUNE 2014	30 JUNE 2015	30 JUNE 2016	30 JUNE 2017	30 JUNE 2018
Share price at year end	£0.08	£0.0225	£0.03075	£0.3925	£0.2280
Loss per share (cents)	(0.8)	(0.6)	(0.7)	(0.3)	(1.1)

There were no dividends paid during the year ended 30 June 2018 and the previous four years.

As the Company is still in the exploration and development stage, the link between remuneration, Company performance and shareholder wealth is tenuous. Share prices are subject to the influence of metals prices and market sentiment toward the sector, and as such increases or decreases may occur quite independent of Executive performance or remuneration.

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTOR UNDERTAKING ROLE OF CHIEF EXECUTIVE

	CHIEF EXECUTIVE			OTHER KEY MANAGEMENT PERSONNEL		
	2018	2017	% CHANGE	2018	2017	% CHANGE
Base salary	400,000	316,667	26%	1,109,693	775,052	43%
Pension	–	–	–	49,685	52,144	-5%
Bonuses	–	100,000	-100%	–	181,472	-100%

The comparator group chosen is key management employees as the remuneration committee believe this provides the most accurate comparison of underlying increases based on similar annual bonus performances utilised by the Group.

RELATIVE IMPORTANCE OF SPEND ON PAY

The total expenditure of the Group on remuneration to all employees and Directors (see Notes 4 and 5 to the financial statements) is shown below:

	2018	2017
Employee remuneration	25,522,146	8,371,040
Expenditure of exploration and evaluation	81,968,954	19,549,202

STATEMENT OF IMPLEMENTATION OF NEW REMUNERATION POLICY

The remuneration policy formed part of the meeting materials at the AGM in January 2018. The policy took effect from 1 July 2017 and will remain in place indefinitely unless changes are deemed necessary by the Remuneration committee. The Company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a Director of the Company unless that payment is consistent with the approved remuneration policy, or has otherwise been approved by a resolution of members.

CONSIDERATION BY THE DIRECTORS OF MATTERS RELATING TO DIRECTORS' REMUNERATION

The remuneration committee considered the executive Directors' remuneration and the Board considered the Non-Executive Directors' remuneration in the year ended 30 June 2018. Non-Executive Director salary and fees were increased from $50,000 to $70,000 per annum and the Chairman's salary and fee was increased from $50,000 to $110,000 for the year ended 30 June 2018. External advice was taken in reaching this decision.

REMUNERATION POLICY TABLE

The remuneration policy table below is an extract of the Group's current remuneration policy on Directors' remuneration, which formed part of the meeting materials at the AGM in January 2018. The approved policy took effect from 1 July 2017.

ELEMENT	PURPOSE	POLICY	OPERATION	OPPORTUNITY AND PERFORMANCE CONDITION
Executive Director				
BASE SALARY	To recognise: • Skills • Responsibility • Accountability • Experience • Value	Considered by remuneration committee on appointment. Set at a level considered appropriate to attract, retain motivate and reward the right individuals.	Reviewed annually. Paid monthly in cash.	Specific performance conditions are attached to base salaries.
BENEFITS	To provide a competitive benefits package	Contractual benefits can include but are not limited to: • Travel allowance • Car parking • Mobile phone	The committee retains the discretion to approve changes in contractual benefits in exceptional circumstances or where factors outside the control of the Group lead to increased costs.	The costs associated with benefits offered are closely controlled and reviewed on an annual basis. No specific performance conditions are attached to contractual benefits. The value of benefits for each Director for the year ended 30 June 2018 is shown in the table on page 61.
BONUSES	To reward and incentivise	In assessing the performance of the executive team, and in particular to determine whether bonuses are merited the remuneration committee takes into account the overall performance of the business. Bonuses are generally offered in cash or shares.	The remuneration committee determines the level of bonus on an annual basis applying such performance conditions and performance measures as it considers appropriate.	Performance conditions will be assessed on an annual basis. The performance measures applied may be financial, non-financial, corporate, divisional or individual and in such proportion as the remuneration committee considers appropriate.
SHARE OPTIONS	To provide Executive Directors with a long-term interest in the Company	Granted under the Share Incentive Plan.	Offered at appropriate times by the remuneration committee.	Entitlement to share options is not subject to any specific performance conditions. Share options will be offered by the remuneration committee as appropriate. The aggregate number of shares over which options may be granted under all of the Company's option schemes (including any options and awards granted under the Company's employee share plans) in any period, will not exceed, at the time of grant, 10% of the ordinary share capital of the Company from time to time.

ELEMENT	PURPOSE	POLICY	OPERATION	OPPORTUNITY AND PERFORMANCE CONDITION
Non-Executive Director				
BASE SALARY	To recognise: • Skills • Experience • Value	Considered by remuneration committee on appointment. Set at a level considered appropriate to attract, retain motivate and reward the right individuals.	Reviewed annually. Paid monthly in cash.	No specific performance conditions are attached to base salaries.
BENEFITS	No benefits offered.			
SHARE OPTIONS	To align interest with shareholders.	Granted under the Share Incentive Plan.	Offered at appropriate times by the remuneration committee.	Entitlement to share options is not subject to any specific performance conditions. Share options will be offered by the remuneration committee as appropriate. The aggregate number of shares over which options may be granted under all of the Company's option schemes (including any options and awards granted under the Company's employee share plans) in any period, will not exceed, at the time of grant, 10% of the ordinary share capital of the Company from time to time.

The remuneration committee consider the performance measures outlined in the table above to be appropriate measures of performance and that the KPI's chosen align the interests of the Directors and shareholders.

For details of remuneration of other company employees can be found in Note 5 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLGOLD PLC

OPINION

We have audited the financial statements of SolGold plc (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2018, which comprise the Consolidated Statement of Profit or Loss and Comprehensive Income, Consolidated and Company Statements of Financial Position, Consolidated and Company Statement of Changes in Equity, Consolidated and Company Statements of Cash Flows and notes to the financial statements including a summary of significant accounting policies. 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.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 30 June 2018 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; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

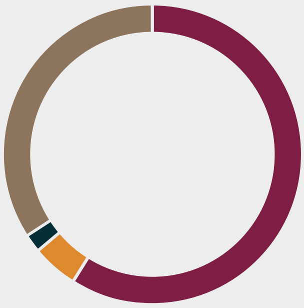
CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	HOW THE MATTER WAS ADDRESSED IN OUR AUDIT
Carrying value of Exploration and Evaluation assets	
The Group's intangible exploration and evaluation assets ('E&E assets') represent the most significant asset on its statement of financial position totalling AU$ 142.9m as at 30 June 2018. **Total Assets**  Management are required to assess the carrying value of E&E assets and consider whether there is any indication that the E&E assets may be impaired at 30 June 2018. Given the significance of the E&E assets on the Group's statement of financial position and the significant management judgement which is required to be applied in the assessment of whether any indicators of impairment exist there is considered to be an increased risk of material misstatement of the financial statements in this regard.	We evaluated Management's and the Board's assessment of potential indicators of impairment of the E&E assets. Our specific audit testing in this regard included: • The verification of license status, in order to confirm legal title • Reviewing exploration activity to assess whether there was any evidence from exploration results to date which would indicate a potential impairment • Obtaining approved budget forecasts and minutes of Management and Board meetings to confirm whether or not the Group intended to continue to explore project area, and • In order to obtain an understanding of Management's expectation of commercial viability reviewed any available technical documentation, discussed results and operations with the operational site teams and conducted a site visit to the Cascabel license area. • We also assessed the disclosures included in the financial statements.

OUR APPLICATION OF MATERIALITY

MATERIALITY	30 JUNE 2018	30 JUNE 2017	BASIS OF MATERIALITY
Materiality for the financial statements as a whole	AU$3.0m	AU$2.5m	1.3% of total assets (2017:1.5% of total assets)
Materiality for the parent company financial statements	AU$1.5m	AU$1.13m	Capped at 50% of Group materiality

We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements, given the Company's current focus on the exploration of its assets. Total assets was therefore considered to be the most appropriate basis for materiality.

We apply the concept of materiality both in planning and performing our audit and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLGOLD PLC CONTINUED

Performance materiality is the application of materiality at the individual account or balance level and is set at an amount which reduces to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2017: 75%) of the above materiality levels.

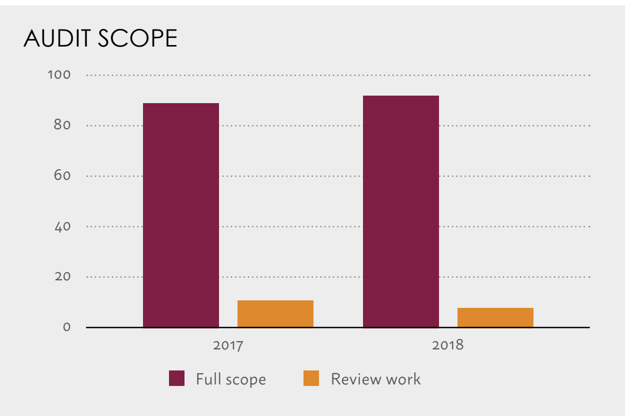
Whilst materiality for the financial statements as whole was AU$3m, each significant component was audited to a lower level of materiality ranging from AU$0.3m to AU$1.5m (2017: AU$0.3m to AU$1.3m). Such materialities are used to determine the financial statement areas that are included within the scope of our audit and the extent of sample sizes tested during the audit.

We agreed with the Audit Committee that we would report to the Committee all individual audit differences identified during the course of our audit in excess of AU$150,000 (2017: AU$ 125,000). There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Our Group audit scope focussed on the Group's principal mining entity, Exploraciones Novomining S.A ("ENSA"). ENSA holds the Cascabel exploration project. ENSA was subject to a full scope audit. The two other significant components were determined to be the parent company and the Group consolidation which were also both subject to a full scope audit.

The remaining components of the Group were considered non-significant and such components were subject to analytical review procedures together with substantive testing on Group audit risk areas determined to be applicable to a particular component ('review work'). We set out below the extent to which the Group's total assets were subject to full scope audit procedure versus analytical review procedures.



The audit of ENSA was performed in Ecuador by a BDO member firm. All audit work (full scope audit or review work) was conducted by BDO LLP and BDO member firms.

As part of our audit strategy the Group audit team were present onsite in Ecuador during the planning, execution and completion of the Ecuadorian audit work by the Ecuadorian audit team. BDO LLP had full access to all audit working papers of the significant component audited by the BDO member firm.

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report have been prepared in accordance with applicable legal requirements; and
- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Group and the Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement set out on [page 59], the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

OTHER MATTERS WHICH WE ARE REQUIRED TO ADDRESS

Following the recommendation of the Audit Committee, we were appointed to audit the financial statements for the year ended 30 June 2006 and subsequent financial periods. In respect of the year ended 30 June 2018 we were reappointed as auditor by the members of the Company at the annual general meeting held on 30 January 2018. The period of total uninterrupted engagement is 13 years, covering the years ended 30 June 2006 to 30 June 2018.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

USE OF OUR REPORT

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.

BDO LLP

ANNE SAYERS

(SENIOR STATUTORY AUDITOR)

For and on behalf of BDO LLP,
Statutory Auditor

London

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2018

	NOTES	GROUP 2018 A$	GROUP 2017 A$
Expenses			
Exploration costs written-off	12	(377,038)	(17,310)
Administrative expenses		(15,568,490)	(8,232,307)
Operating loss	3	(15,945,528)	(8,249,617)
Finance income	6	677,892	69
Finance costs	6	–	(73,502)
Loss before tax		(15,267,636)	(8,323,050)
Tax (expense) benefit	7	(4,415,424)	3,823,078
Loss for the year		(19,683,060)	(4,499,972)
Other comprehensive (loss) / profit			
Items that may be reclassified into profit or loss			
Change in fair value of available-for-sale financial assets net of tax	10a / 14	(6,244,922)	8,920,515
Exchange differences on translation of foreign operations		4,500,418	(2,089,272)
Items that will not be reclassified			
Change in Ecuador pension		(68,268)	–
Total comprehensive (loss) / profit for the year		(21,495,832)	2,331,271
Loss for the year attributable to:			
Owners of the parent company		(19,517,402)	(4,418,025)
Non-controlling interest		(165,658)	(81,947)
		(19,683,060)	(4,499,972)
Total comprehensive (loss) / profit for the year attributable to:			
Owners of the parent company		(21,676,760)	2,697,343
Non-controlling interest		180,928	(366,072)
		(21,495,832)	2,331,271
		CENTS PER SHARE	CENTS PER SHARE
Loss per share			
Basic loss per share	8	(1.2)	(0.7)
Diluted loss per share	8	(1.2)	(0.7)

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 2018

		GROUP		COMPANY	
Registered Number 5449516	NOTES	2018 A$	2017 A$	2018 A$	2017 A$
Assets					
Property, plant and equipment	11	4,278,038	1,777,937	158,121	189,342
Intangible assets	12	142,882,867	59,723,105	–	–
Investment in subsidiaries	9	–	–	146,415,708	64,289,892
Investment in available-for-sale securities	10(a)	5,445,408	14,366,304	5,437,408	14,360,725
Loans receivable and other non-current assets	13	1,207,745	226,175	923,879	90,137
Total non-current assets		153,814,058	76,093,521	152,935,116	78,930,096
Other receivables and prepayments	15	4,230,054	1,307,344	546,886	780,168
Cash and cash equivalents	16	81,825,617	89,312,743	79,628,278	88,669,626
Total current assets		86,055,671	90,620,087	80,175,164	89,449,794
Total assets		239,869,729	166,713,608	233,110,280	168,379,890
Equity					
Share capital	17	29,513,563	26,376,265	29,513,563	26,376,265
Share premium	17	273,572,301	199,322,436	273,572,301	199,322,436
Other reserves		23,741,415	15,385,705	19,579,998	15,309,852
Accumulated loss		(96,329,208)	(76,869,038)	(91,429,630)	(73,389,037)
Equity attributable to owners of the parent company		230,498,071	164,215,368	231,236,232	167,619,516
Non-controlling interest		(62,007)	(242,935)	–	–
Total equity		230,436,064	163,972,433	231,236,232	167,619,516
Liabilities					
Trade and other payables	18	9,433,665	2,741,175	1,874,048	760,374
Total current liabilities		9,433,665	2,741,175	1,874,048	760,374
Total liabilities		9,433,665	2,741,175	1,874,048	760,374
Total equity and liabilities		239,869,729	166,713,608	233,110,280	168,379,890

The above consolidated and Company statements of financial position should be read in conjunction with the accompanying notes.

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 Company's loss for the year was A$18,097,825 (2017: A$3,912,536).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 September 2018.

NICHOLAS MATHER
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	SHARE CAPITAL A$	SHARE PREMIUM A$	AVAILABLE-FOR-SALE FINANCIAL ASSETS RESERVE A$	SHARE OPTION RESERVE A$
Balance at 30 June 2016	17,015,019	87,488,507	(141,299)	1,104,337
Loss for the year	–	–	–	–
Other comprehensive income	–	–	8,920,515	–
Total comprehensive income for the year	–	–	8,920,515	–
New share capital subscribed	9,282,812	117,092,097	–	–
Options exercised	78,434	1,216,906	–	–
Share issue costs	–	(6,475,074)	–	–
Options expired	–	–	–	(38,351)
Value of shares and options issued to Directors, employees and consultants	–	–	–	5,464,650
Balance at 30 June 2017	26,376,265	199,322,436	8,779,216	6,530,636
Loss for the year	–	–	–	–
Other comprehensive income	–	–	(6,244,922)	–
Total comprehensive income for the year	–	–	(6,244,922)	–
New share capital subscribed	3,093,343	74,389,805	–	–
Options exercised	43,955	879,106	–	–
Share issue costs (net of deferred tax of A$1,739,029)	–	(1,019,046)	–	3,411
Options expired	–	–	–	(57,232)
Value of share and options issued to Directors, employees and consultants	–	–	–	10,568,889
Balance at 30 June 2018	29,513,563	273,572,301	2,534,294	17,045,704

The above statement of changes in equity should be read in conjunction with the accompanying notes.

FOREIGN CURRENCY TRANSLATION RESERVE A$	OTHER RESERVES A$	ACCUMULATED LOSS A$	TOTAL A$	NON-CONTROLLING INTERESTS A$	TOTAL EQUITY A$
1,948,864	(67,864)	(72,489,364)	34,858,200	123,137	34,981,337
–	–	(4,418,025)	(4,418,025)	(81,947)	(4,499,972)
(1,805,147)	–	–	7,115,368	(284,125)	6,831,244
(1,805,147)	–	(4,418,025)	2,697,343	(366,072)	2,331,271
–	–	–	126,374,909	–	126,374,909
–	–	–	1,295,340	–	1,295,340
–	–	–	(6,475,074)	–	(6,475,074)
–	–	38,351	–	–	–
–	–	–	5,464,650	–	5,464,650
143,717	(67,864)	(76,869,038)	164,215,368	(242,935)	163,972,433
–		(19,517,402)	(19,517,402)	(165,658)	(19,683,060)
4,153,832	(68,268)	–	(2,159,358)	346,586	(1,812,772)
4,153,832	(68,268)	(19,517,402)	(21,676,760)	180,928	(21,495,832)
–	–	–	77,483,148	–	77,483,148
–	–	–	923,061	–	923,061
–	–	–	(1,015,635)	–	(1,015,635)
–	–	57,232	–	–	–
–	–	–	10,568,889	–	10,568,889
4,297,549	(136,132)	(96,329,208)	230,498,071	(62,007)	230,436,064

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

	SHARE CAPITAL A$	SHARE PREMIUM A$	AVAILABLE-FOR-SALE FINANCIAL ASSETS A$
Balance at 30 June 2016	17,015,019	87,488,507	(141,299)
Loss for the year	–	–	–
Other comprehensive income	–	–	8,920,515
Total comprehensive income for the year	–	–	8,920,515
New share capital subscribed	9,282,812	117,092,097	–
Options exercised	78,434	1,216,906	–
Share issue costs	–	(6,475,074)	–
Options expired	–	–	–
Value of shares and options issued to Directors, employees and consultants	–	–	–
Balance at 30 June 2017	26,376,265	199,322,436	8,779,216
Loss for the year	–	–	–
Other comprehensive income for the year	–	–	(6,244,922)
Total comprehensive income for the year	–	–	(6,244,922)
New share capital subscribed	3,093,343	74,389,805	–
Options exercised	43,955	879,106	–
Share issue costs (net of deferred tax of A$ 1,739,029)	–	(1,019,046)	–
Options expired	–	–	–
Value of shares and options issued to Directors, employees and consultants	–	–	–
Balance at 30 June 2018	29,513,563	273,572,301	2,534,294

The above statement of changes in equity should be read in conjunction with the accompanying notes.

SHARE OPTION RESERVE A$	ACCUMULATED LOSS A$	TOTAL A$
1,104,337	(69,514,852)	35,951,712
–	(3,912,536)	(3,912,538)
–	–	8,920,515
–	(3,912,536)	5,007,979
–	–	126,374,909
–	–	1,295,340
–	–	(6,475,074)
(38,351)	38,351	–
5,464,650	–	5,464,650
6,530,636	(73,389,037)	167,619,516
–	(18,097,825)	(18,097,825)
–	–	(6,244,922)
–	(18,097,825)	(24,342,747)
–	–	77,483,148
–	–	923,061
3,411	–	(1,015,635)
(57,232)	57,232	–
10,568,889	–	10,568,889
17,045,704	(91,429,630)	231,236,232

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2018

		GROUP		COMPANY	
	NOTES	2018 A$	2017 A$	2018 A$	2017 A$
Cash flows from operating activities					
Loss for the year		(19,683,060)	(4,499,972)	(18,097,825)	(3,912,536)
Depreciation	11	80,454	36,713	48,223	35,855
Share based payment expense	5 / 19	10,568,889	2,239,533	10,568,889	2,239,533
Write-off of exploration expenditure	12	377,038	17,310	–	–
Foreign exchange (gain) / loss		(4,106,856)	1,032,010	(4,106,856)	1,032,010
Deferred taxes	14	4,415,424	(3,823,078)	4,415,424	(3,823,078)
(Increase) / decrease in other receivables and prepayments		(455,941)	(353,550)	(387,251)	8,718
(Decrease) / increase in trade and other payables		378,182	454,139	318,367	(214,060)
Net cash outflow from operating activities		(8,425,870)	(4,896,895)	(7,241,029)	(4,633,558)
Cash flows from investing activities					
Security deposit (payments) / refunds		(4,063,394)	(102,201)	(833,742)	(90,137)
Acquisition of property, plant and equipment	11	(2,580,555)	(1,439,250)	(17,002)	(215,748)
Acquisition of exploration and evaluation assets	12	(72,796,241)	(21,739,184)	–	–
Investment in subsidiaries		–	–	–	(4,207)
Loans advanced to subsidiaries	9	–	–	(81,328,509)	(23,799,262)
Net cash outflow from investing activities		(79,440,190)	(23,280,635)	(82,179,253)	(24,109,354)
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital	17	79,026,742	117,862,952	79,026,742	117,862,952
Payment of issue costs		(2,754,664)	(288,339)	(2,754,664)	(288,339)
Proceeds from borrowing		–	852,736	–	852,736
Net cash inflow from financing activities		76,272,078	118,427,349	76,272,078	118,427,349
Net (decrease) / increase in cash and cash equivalents		(11,593,982)	90,249,820	(13,148,204)	89,684,437
Cash and cash equivalents at the beginning of year		89,312,743	94,933	88,669,626	17,199
Effect of foreign exchange on cash		4,106,856	(1,032,010)	4,106,856	(1,032,010)
Cash and cash equivalents at end of year	16	81,825,617	89,312,743	79,628,278	88,669,626

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 2018

NOTE 1 ACCOUNTING POLICIES

SolGold plc ('the Company or 'SolGold') is domiciled in London, United Kingdom and was incorporated on 11 May 2015, with company registration number 5449516. SolGold is a public limited company which is dual listed on the London Stock Exchange and the Toronto Stock Exchange. The address of the Company's registered office is 201 Bishopsgate, London EC2M 3AB, United Kingdom.

(A) STATEMENT OF COMPLIANCE

The consolidated financial statements and Company financial statements have been prepared in accordance with International Financial Reporting Standards and their interpretations issued by the International Accounting Standards Board (IASB), as adopted by the European Union ('IFRS'). They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements also comply with IFRS as issued by the IASB, as is required as a result of the Company's listing on TSX in Canada.

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. From incorporation the Group has prepared the annual consolidated financial statements in accordance with IFRS.

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.

The Company currently has sufficient working capital levels to carry out its planned exploration activities for the following 12 months however, 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.

(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.

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 and share of other comprehensive income in the statement of profit or loss and 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.

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.

Transactions in foreign currencies are translated at the exchange rate ruling on transaction date.

Intercompany loans between the parent and subsidiaries are translated at the rate the loan was made to the subsidiary. Any exchange differences are taken to other comprehensive income. On disposal of an entity, cumulative 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 2018 were £0.5606/A$1.0, US$0.7433/A$1.0 and SBD$6.05/A$1.0 (30 June 2017: £0.5951/A$1.0, US$0.7692/A$1.0 and SBD$5.9401/A$1.0). The average exchange rate applied for the year ended 30 June 2018 was US$0.7687/A$1.0 (2017: US$0.7545/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 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
Buildings	12 years
Land	Not depreciated

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.

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 exists 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 and amortised over the vesting periods. Share based payments to non-employees are measured at the fair value of goods or services rendered or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured. 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 ACCOUNTING POLICIES CONTINUED

(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.

A contingent asset or liability is disclosed in the notes to the financial statements when an uncertainty exists and the amount of the asset or liability cannot be reliably measured.

(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.

(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.

(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

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.

(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.

NOTE 1 ACCOUNTING POLICIES CONTINUED

(V) FINANCIAL INSTRUMENTS CONTINUED

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.

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) SUBSIDIARY INVESTMENTS

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, and where the subsidiary does not reimburse the Company 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; and
- 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.

(V) OTHER RESERVES

This reserve is used to adjust the pension liability to fair value for the defined benefit pension plan maintained for the Group's employees in Ecuador.

(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:

- Amendment to IAS 12, 'Income taxes', regarding recognition of deferred tax assets for unrealised losses'.
- Amendment to IAS 7, 'Cash flow statements', regarding the Disclosure initiative.
- Annual improvements 2014-2016 IFRS 12, 'Disclosure of interests in other entities'.

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 mandatory in the EU. They are also not yet mandatory in accordance with IFRSs as issued by the IASB. The list below includes only standards and interpretations that could have an impact on the Consolidated Financial Statements of the Group.

EFFECTIVE PERIOD COMMENCING ON OR AFTER		
IFRS 2	Share based payments – classification and measurement of share based payment transactions	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRIC 22[1]	Foreign currency transactions and advance considerations	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 17[1]	Insurance contracts	1 January 2021

1 Not yet adopted by the European Union

IFRS 9 Financial instruments

The complete standard was 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 does not expect a material impact on its Consolidated Financial Statements by adopting this standard during the financial year ending 30 June 2019.

IFRS 15 Revenue from contracts with customers

The new standard was issued in May 2014. IFRS 15 provides a single, principles-based model to be applied to all contracts with customers. Generally, revenue will be recognised when control of a good or service transfers to a customer. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures regarding revenue are also introduced.

The Group will apply the new standard from its application date, 1 July 2018. Management has assessed the effects of applying IFRS 15 on the Group's financial statements and has determined that, apart from providing more extensive disclosures on the Group's revenue transactions, the application of IFRS 15 will not have an impact on the Group's financial statements. No cumulative impact is expected from the initial implementation of IFRS 15 as the Group is still currently in the exploration phase and has not generated any revenues.

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.

Management has made a preliminary assessment of the effects of applying IFRS 16 on the Group's financial statements and has determined that it is likely to have an immaterial impact in the future periods.

IFRS 17 Insurance contracts

The new standard was issued in May 2017. IFRS 17 requires a current measurement model, where estimates are remeasured in each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin. Management has made a preliminary assessment of the effects of applying IFRS 17 on the Group's financial statements and has determined that it is likely to have an immaterial impact in the future periods.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

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 discreetly, 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 2018	FINANCE INCOME A$	DEPRECIATION A$	IMPAIRMENT OF E&E A$	LOSS FOR THE YEAR A$	ASSETS A$	LIABILITIES A$	SHARE BASED PAYMENTS A$	NON-CURRENT ASSET ADDITIONS A$
Cascabel project *	–	31,882	–	(1,106,535)	120,947,506	6,810,450	–	70,927,717
Other Ecuadorian projects	211	–	376,148	(395,447)	18,882,929	636,681	–	14,101,256
Other projects	66	349	890	(83,249)	13,339,245	112,484	–	804,462
Corporate	677,615	48,223	–	(18,097,829)	86,700,049	1,874,050	10,568,889	(8,112,898)
Total	677,892	80,454	377,038	(19,683,060)	239,869,729	9,433,665	10,568,889	77,720,537

30 JUNE 2017	FINANCE INCOME A$	DEPRECIATION A$	IMPAIRMENT OF E&E A$	LOSS FOR THE YEAR A$	ASSETS A$	LIABILITIES A$	SHARE BASED PAYMENTS A$	NON-CURRENT ASSET ADDITIONS A$
Cascabel project *	–	–	–	(546,315)	49,132,923	1,783,879	–	16,590,892
Other Ecuadorian projects	–	–	–	(6,487)	3,355,760	186,211	–	3,355,760
Other projects	69	858	17,310	(34,634)	12,495,730	8,408	–	484
Corporate	–	35,855	–	(3,912,536)	101,729,194	762,677	2,239,533	12,944,385
Total	69	36,713	17,310	(4,499,972)	166,713,607	2,741,175	2,239,533	32,891,521

* The Cascabel project is held the subsidiary Exploraciones Novomining S.A. which is 15% owned by a non-controlling interest. See further details of the subsidiary in note 9.

GEOGRAPHICAL INFORMATION

NON-CURRENT ASSETS	2018 A$	2017 A$
UK	–	–
Australia	17,418,251	24,726,686
Solomon Islands	–	–
Ecuador	136,395,807	51,366,835
	153,814,058	76,093,521

The Group had no revenue during the current and prior year.

NOTE 3 OPERATING LOSS

	GROUP 2018 A$	GROUP 2017 A$
The operating loss is stated after charging (crediting)		
Auditors' remuneration:		
Amounts received or due and receivable by BDO (UK) for:		
The audit of the Company's annual accounts	257,945	117,627
The review of the Company's interim accounts	55,584	–
Amounts received or due and receivable by related practices of BDO (UK) for:		
The audit of subsidiary undertakings	62,532	79,714
Depreciation	80,454	36,713
Foreign exchange (gains)/losses	(4,115,511)	1,032,010
Share based payments	10,568,889	2,239,533

NOTE 4 STAFF NUMBERS AND COSTS

	GROUP		COMPANY	
	2018	2017	2018	2017
Corporate finance and administration	22	17	12	12
Technical	433	238	6	3
	455	255	18	15

The aggregate payroll costs of the average number of employees was:

	GROUP		COMPANY	
	2018 A$	2017 A$	2018 A$	2017 A$
Wages and salaries	14,900,722	5,454,825	2,410,956	1,240,536
Contributions to superannuation	52,535	54,320	52,535	54,320
Share based payments	10,568,889	2,239,533	10,568,889	2,239,533
Total staff costs	25,522,146	7,748,678	13,032,380	3,534,389

Included within total staff costs is A$13,009,135 (2017: A$5,002,689) which has been capitalised as part of deferred exploration costs.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	BASIC ANNUAL SALARY A$	OTHER BENEFITS[1] A$	PENSIONS A$	TOTAL REMUNERATION A$
2018				
Directors				
Nicholas Mather[2] (highest paid Director)	400,000	4,433,528	–	4,833,528
Brian Moller[2]	110,000	633,361	–	743,361
Robert Weinberg	70,000	380,017	–	450,017
John Bovard	70,000	380,017	–	450,017
Craig Jones	70,000	380,017	–	450,017
James Clare	11,667	–	–	11,667
Other Key Management Personnel[3]	1,109,693	3,392,676	49,685	4,552,054
Total paid to Key Management Personnel	1,841,360	9,599,616	49,685	11,490,661
Other staff and contractors	13,059,362	969,273	2,850	14,031,485
Total	14,900,722	10,568,889	52,535	25,522,146

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

2. During the year Mr Mather and Mr Moller exercised a total of 2,600,000 options granted under the employee share option plan (2017: nil). The nominal gain on the date of exercise of the share options was A$754,910.

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

	BASIC ANNUAL SALARY A$	OTHER BENEFITS[1] A$	PENSIONS A$	TOTAL REMUNERATION A$
2017				
Directors				
Nicholas Mather (highest paid Director)	416,667	–	–	416,667
Brian Moller	50,000	–	–	50,000
Robert Weinberg[2]	50,000	–	–	50,000
John Bovard[2]	50,000	–	–	50,000
Scott A Caldwell	39,028	–	–	39,028
Craig Jones	16,667	–	–	16,667
Other Key Management Personnel[3]	956,524	181,473	52,144	1,190,141
Total paid to Key Management Personnel	1,578,886	181,473	52,144	1,812,503
Other staff and contractors	4,040,645	2,058,061	459,832	6,558,537
Total	5,619,531	2,239,534	511,976	8,371,040

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

2. During the year Mr Robert Weinberg and Mr John Bovard exercised a total of 1,760,000 options granted under the employee share option plan (2016: nil). The nominal gain on the date of exercise of the share options was A$465,399.

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

During the year, A$49,685 employer's social security costs (2017: A$52,144) were paid in respect of remuneration for key management personnel.

NOTE 6 FINANCE INCOME AND COSTS

	GROUP 2018 A$	GROUP 2017 A$
Interest income	677,892	69
Finance income	677,892	69
Interest cost	–	(73,502)
Finance costs	–	(73,502)

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% (2017: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	GROUP 2018 A$	GROUP 2017 A$
Tax reconciliation		
Loss before tax	(15,267,636)	(8,323,050)
Tax at 30% (2017: 30%)	(4,580,291)	(2,496,915)
Add (less) tax effect of:		
Permanent differences	3,194,567	670,818
Derecognise (Recognise) prior year losses	6,365,927	(1,983,330)
Prior period adjustments to true-up tax return	(684,691)	–
Other	119,912	(13,651)
Income tax (expense) benefit on loss	(4,415,424)	3,823,078
Components of tax (expense) / benefit on other comprehensive income comprise of:		
Valuation gains on available for sale investments (see note 14)	2,676,395	(3,823,078)
Income tax (expense) benefit on other comprehensive income	2,676,395	(3,823,078)
Amounts recognised directly in equity		
Net deferred tax credited directly to equity	1,739,029	–
Income tax (expense) benefit recognised directly in equity	1,739,029	–

Deferred tax assets are recognised only to the extent of deferred tax liabilities. Where deferred tax assets exceed deferred tax liabilities, deferred tax assets on carried forward tax losses are derecognised in the first instance.

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Group has carried forward gross tax losses of approximately A$173.1 million (2017: A$86.2 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. Tax losses in Australia can be carried forward indefinitely while in Ecuador, tax losses may be carried forward and offset against profits in the following five years, provided that the amount offset does not exceed 25% of the year's profits.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 8 LOSS PER SHARE

	2018 CENTS PER SHARE	2017 CENTS PER SHARE
Basic loss per share	(1.2)	(0.3)
Diluted loss per share	(1.2)	(0.3)

	2018 A$	2017 A$
(A) LOSS		
Loss used to calculate basic and diluted loss per share	(19,517,402)	(4,418,025)

	NUMBER OF SHARES	NUMBER OF SHARES
(B) WEIGHTED AVERAGE NUMBER OF SHARES		
Used in calculating basic LPS	1,620,664,371	1,330,798,371
Weighted average number of dilutive options	3,780,868	15,415,281
Weighted average number of ordinary shares and potential ordinary shares used in calculating dilutive LPS	1,624,445,239	1,346,213,652

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	COUNTRY OF INCORPORATION AND OPERATION	REGISTERED ADDRESS	PRINCIPAL ACTIVITY	SOLGOLD PLC'S EFFECTIVE INTEREST 2018	SOLGOLD PLC'S EFFECTIVE INTEREST 2017
Australian Resources Management (ARM) Pty Ltd	Australia	Level 27, 111 Eagle Street Brisbane, QLD, 4000 Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Level 27, 111 Eagle Street Brisbane, QLD, 4000 Australia	Exploration	100%	100%
Central Minerals Pty Ltd	Australia	Level 27, 111 Eagle Street Brisbane, QLD, 4000 Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	c/- Morris & Sojnocki Chartered Accountants 1st Floor City Centre Building, Mendana Avenue, Honiara Solomon Islands	Exploration	100%	100%
Honiara Holdings Pty Ltd	Australia	Level 27, 111 Eagle Street Brisbane, QLD, 4000 Australia	Exploration	100%	100%
Guadalcanal Exploration Pty Ltd	Australia	Level 27, 111 Eagle Street Brisbane, QLD, 4000 Australia	Exploration	100%	100%

	COUNTRY OF INCORPORATION AND OPERATION	REGISTERED ADDRESS	PRINCIPAL ACTIVITY	SOLGOLD PLC'S EFFECTIVE INTEREST 2018	2017
Exploraciones Novomining S.A.	Ecuador	Avenida La Coruña E25-58 y San Ignacio, Edificio Altana Plaza piso 4, oficina 406 Quito Ecuador	Exploration	85%	85%
Carnegie Ridge Resources S.A.	Ecuador	Avenida La Coruña E25-58 y San Ignacio, Edificio Altana Plaza piso 4, oficina 406 Quito Ecuador	Exploration	100%	100%
Green Rock Resources S.A.	Ecuador	Avenida La Coruña E25-58 y San Ignacio, Edificio Altana Plaza piso 4, oficina 406 Quito Ecuador	Exploration	100%	100%
Valle Rico Resources S.A.	Ecuador	Avenida La Coruña E25-58 y San Ignacio, Edificio Altana Plaza piso 4, oficina 406 Quito Ecuador	Exploration	100%	100%
Cruz Del Sol S.A.	Ecuador	Avenida La Coruña E25-58 y San Ignacio, Edificio Altana Plaza piso 4, oficina 406 Quito Ecuador	Exploration	100%	100%

	INVESTMENT IN SUBSIDIARY UNDERTAKINGS		
	SHARES A$	LOANS A$	TOTAL A$
Cost			
Balance at 30 June 2016	14,004,879	75,485,290	89,490,169
Acquisitions and advances in the year	4,208	24,152,857	24,157,065
Balance at 30 June 2017	14,009,087	99,638,147	113,647,234
Acquisitions and advances in the year	512,372	81,613,444	82,125,816
Balance at 30 June 2018	14,521,459	181,251,591	195,773,050
Amortisation and impairment losses			
Balance at 30 June 2016	(5,016,948)	(44,340,394)	(49,357,342)
Provision for impairment	–	–	–
Balance at 30 June 2017	(5,016,948)	(44,340,394)	(49,357,342)
Provision for impairment	–	–	–
Balance at 30 June 2018	(5,016,948)	(44,340,394)	(49,357,342)
Carrying amounts			
Balance at 30 June 2016	8,987,931	31,144,896	40,132,827
Balance at 30 June 2017	8,992,139	55,297,753	64,289,892
Balance at 30 June 2018	9,504,511	136,911,197	146,415,708

NOTE 10 INVESTMENTS

(A) INVESTMENTS ACCOUNTED FOR AS AVAILABLE-FOR-SALE ASSETS

	GROUP		COMPANY	
	2018 A$	2017 A$	2018 A$	2017 A$
Movements in available-for-sale assets				
Opening balance at 1 July	14,366,304	1,622,712	14,360,725	1,617,132
Additions	–	–	–	–
Fair Value adjustment through other comprehensive income	(8,920,896)	12,743,593	(8,920,896)	12,743,593
Balance at 30 June	5,445,408	14,366,304	5,439,829	14,360,725

Available for sale financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc., listed on the Toronto Venture Exchange ("TSXV") 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 A$	LEVEL 2 A$	LEVEL 3 A$	TOTAL A$
2018				
Available for sale financial assets	5,445,408	–	–	5,445,408
2017				
Available for sale financial assets	14,360,725	–	–	14,360,725

The available for sale financial assets are measured based on the quoted market prices at 30 June.

NOTE 11 PROPERTY, PLANT AND EQUIPMENT

	GROUP						COMPANY
	LAND AND BUILDINGS A$	PLANT AND EQUIPMENT A$	MOTOR VEHICLES A$	OFFICE EQUIPMENT A$	FURNITURE & FITTINGS A$	TOTAL A$	TOTAL A$
Cost							
Balance 30 June 2016	–	315,684	272,103	171,389	84,262	843,438	64,522
Effect of foreign exchange on opening balance	–	–	(6,311)	(5,984)	(2,545)	(1,857)	(16,697)
Additions	–	194,440	426,762	587,227	201,184	178,414	1,588,027
Disposals	–	–	–	–	–	–	–
Balance 30 June 2017	194,440	736,135	853,346	370,028	260,819	2,414,768	280,270
Effect of foreign exchange on opening balance	7,457	4,674	29,768	10,322	8,540	60,761	–
Additions	1,421,529	545,912	653,818	399,641	88,374	3,109,274	16,999
Disposals	–	–	(47,488)	–	–	(47,488)	–
Balance 30 June 2018	1,623,426	1,286,721	1,489,444	779,991	357,733	5,537,315	297,269
Depreciation and impairment losses							
Balance 30 June 2016	–	(173,904)	(135,729)	(129,067)	(29,338)	(468,038)	(55,073)
Effect of foreign exchange on opening balance	–	1,764	1,908	1,579	262	5,513	–
Depreciation charge for the year	–	(29,625)	(397)	(5,544)	(1,147)	(36,713)	(35,855)
Depreciation capitalised to exploration	–	(47,314)	(40,809)	(26,299)	(23,171)	(137,593)	–
Disposals	–	–	–	–	–	–	–
Balance 30 June 2017		(249,079)	(175,027)	(159,331)	(53,394)	(636,831)	(90,926)
Effect of foreign exchange on opening balance	–	7,237	(3,755)	(2,799)	(541)	142	–
Depreciation charge for the year	–	(41,013)	–	(37,250)	(2,191)	(80,454)	(48,222)
Depreciation capitalised to exploration	–	(116,689)	(269,731)	(129,754)	(53,661)	(569,835)	
Disposals	–	–	27,701	–	–	27,701	
Balance 30 June 2018	–	(399,544)	(420,812)	(329,134)	(109,787)	(1,259,277)	(139,148)
Carrying amounts							
At 30 June 2016	–	141,780	136,374	42,322	54,924	375,400	9,449
At 30 June 2017	194,440	487,056	678,319	210,697	207,425	1,777,937	189,342
At 30 June 2018	1,623,426	887,177	1,068,632	450,857	247,946	4,278,038	158,121

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12 INTANGIBLE ASSETS

	GROUP DEFERRED EXPLORATION COSTS A$	COMPANY DEFERRED EXPLORATION COSTS A$
Cost		
Balance 30 June 2016	92,810,120	–
Effect of foreign exchange on opening balances	(888,701)	–
Additions – expenditure	19,549,202	–
Balance 30 June 2017	111,470,621	–
Effect of foreign exchange on opening balances	1,567,846	–
Additions – expenditure	81,968,954	–
Balance 30 June 2018	195,007,421	
Impairment losses		
Balance 30 June 2016	(51,730,206)	–
Impairment charge	(17,310)	–
Balance 30 June 2017	(51,747,516)	–
Impairment Charge	(377,038)	–
Balance 30 June 2018	(52,124,554)	–
Carrying amounts		
At 30 June 2016	41,079,914	–
At 30 June 2017	59,723,105	–
At 30 June 2018	142,882,867	–

IMPAIRMENT LOSS

A decision was made to expense A$376,031 (2017: A$17,310) 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)

In Ecuador, the Group is advancing the Cascabel project, whilst continuing to pursue its strategy to become a globally important copper company by expanding the Company's copper-gold exploration portfolio in Ecuador.

At Cascabel, drilling continues to expand the growing world class deposit at Alpala and drilling to date has not yet constrained the rich Alpala copper-gold deposit. Approximately 125,323m of diamond drilling has been completed on the project to date.

Currently, 12 drill rigs are active on site, with 10 rigs drilling on the Alpala cluster, and two drilling at the Aguinaga prospect. The Cascabel drill program for calendar 2018 comprises over 120,000m of planned drilling focussing on extending and infilling the Alpala Resource, as well as further drill testing of the Aguinaga prospect. Numerous other untested targets remain, namely at Trivinio, Moran, Cristal, Tandayama-America and Chinambicito, some of which will also be drilled by the end of calendar 2018.

In January 2018, SolGold announced a maiden Mineral Resource Estimate (MRE) at Alpala, completed from 53,616m of drilling reported in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards for Mineral Resources and Mineral Reserves (May 2014).

The Alpala maiden mineral resource estimate totals a current 430 Mt @ 0.8% CuEq (at 0.3% CuEq cut off) in the Indicated category, and 650 Mt @ 0.6% CuEq (at 0.3% CuEq cut off) in the Inferred category; contained metal content of 2.3 Mt Cu in the Indicated category and 2.9 Mt Cu in the Inferred category; and contained metal content of 6.0 Moz Au in the Indicated category and 6.3 Moz Au in the Inferred category.

Assay results from the initial 53,616m of drilling at Alpala were incorporated into the Alpala maiden Mineral Resource Estimate (MRE) completed in December 2017 and announced on 3 January 2018. That meterage represents approximately 43% of the 125,323m currently drilled on the project at 30 June 2018. There remains strong potential for further growth from the more recent drilling results and continued rapid growth of the deposit.

There are no indicators of impairment for the aggregate carrying value of A$112.79 million.

SOLGOLD 100% OWNED PROJECTS

NEW CONCESSIONS GRANTED FOR 100% SOLGOLD ECUADOR SUBSIDIARIES

As at 30 June 2018 SolGold holds a 100% interest in 72 concessions through its Ecuadorian subsidiary companies, Carnegie Ridge Resources S.A., Cruz del Sol S.A., Green Rock Resources S.A. and Valle Rico Resources S.A. These concessions are located on the gold-rich northern section of the prolific Andean Copper belt which is renowned as the production base for nearly half of the world's copper.

During the financial year ended 30 June 2018, exploration activity has continued at a rapid pace with 39 national geologists operating in ten field teams. Exploration activities have continued the initial evaluation of the SolGold regional concessions. Activities included stream sediment sampling, heavy panned concentrate collection and Anaconda-style mapping and rock chip sampling of all streams within each concession. Led by highly experienced senior geologists, field teams have made initial evaluation of 71% of all granted concessions.

During the year, exploration activities have been transitioning to detailed follow-up mapping and rock chip sampling of priority areas. From the detailed follow-up work conducted, SolGold has currently identified a total of 10 priority projects will progress these to the next phase of exploration. SolGold has established experienced teams of social and environmental personnel focussed on obtaining government and community permissions to conduct advanced exploration activities for the priority exploration prospects.

The new Ecuadorean projects have a carrying value of A$16.87 million at 30 June 2018 and are considered to be unimpaired.

ACAPULCO MINING PROJECTS

Acapulco has three granted tenements across Queensland. The granted tenements comprise of 232 sub-blocks (circa 718km^2).

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 288 holes, equivalent to 24,895.8m have been drilled on the tenements.

Drill testing of porphyry style copper-gold mineralisation at the Normanby Project, in northern Queensland was completed. A total of 518m of RC drilling from 7 RC drill holes and 89.2m of diamond coring from 1 drill holes was completed. A significant vertical mineralised structure was intersected in holes MFT19, and MFT17, and a separate shallow dipping zone of mineralisation was also discovered in holes MFT24 and MFT014. Assay results returned the following highlights:

- 14m @ 5.3 g/t Au from 58m depth (MFT019);
- 28m @ 1.1 g/t Au, from 40m depth, including 10m @ 2.3 g/t Au (MFT020); and
- 28m @ 1.2 g/t Au from surface (MFT022).

There are no indicators of impairment for the aggregate carrying value of A$9.01 million.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 12 INTANGIBLE ASSETS CONTINUED

SOLGOLD 100% OWNED PROJECTS CONTINUED

CENTRAL MINERALS PROJECTS

Central Minerals comprises of seven granted tenements which is comprised of 280 sub-blocks (circa 886km^2).

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 58,886.6m, 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.

Exploration activities for the year ended 30 June 2018 included the drilling of two holes (RC pre-collar with diamond tail) totalling 589.8m of drilling and VTEM (Versatile Time Domain Electromagnetic) airborne geophysics survey

The two diamond holes were drilled under the thickest part of the Crunchie deposit to:

- test for mineralisation under magnetic anomalies;
- identify mineralisation associated with soil anomalies; and
- identify electromagnetic targets for further exploration.

Preliminary analysis of the VTEM (flown in mid-June) show conductors offset to the south-west of the surface mineralisation, suggesting the potential for sulphide zones down the south-westerly dipping thrust faults. Also, a large conductor lies under an undrilled gold silver soil anomaly in a poorly exposed area in the far south-west of the survey. Further analysis of the VTEM with existing data will form the basis of further work in 2018/2019.

There are no indicators of impairment for the aggregate carrying value of A$4.21 million.

NOTE 13 LOAN RECEIVABLES AND OTHER NON-CURRENT ASSETS

	GROUP		COMPANY	
	2018 A$	2017 A$	2018 A$	2017 A$
Security bonds	1,207,745	226,175	923,879	90,137
	1,207,745	226,175	923,879	90,137

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 AND LIABILITIES

GROUP 2018	OPENING BALANCE A$	NET CHARGED TO INCOME A$	NET CHARGED TO OTHER COMPREHENSIVE INCOME A$	NET CHARGED TO EQUITY A$	NET MOVEMENT ON UNWIND / TRANSFER A$	CLOSING BALANCE A$
Recognised deferred tax assets						
Carried forward tax losses	16,227,631	12,086,958	–	–	–	28,214,589
Accruals / provisions	314,852	(77,806)	–	1,739,029	–	1,976,015
Potential benefit	16,542,483	12,009,152	–	1,739,029	–	30,290,664
Recognised deferred tax liabilities						
Available for sale financial assets	(3,823,078)	–	2,676,395	–	–	(1,146,683)
Exploration and evaluation assets	(12,719,405)	(15,502,122)	–	–	–	(28,221,527)
Foreign exchange gains/losses	–	(922,454)	–	–	–	(922,454)
Potential benefit	(16,542,483)	(16,424,576)	2,676,395	–	–	(30,290,664)
Net deferred taxes	–	(4,415,424)	2,676,395	1,739,029	–	–
Deferred tax assets not recognised						
Unused tax losses	6,701,410	7,841,697	–	–	–	14,543,107
Unused capital losses	–	–	–	–	–	–
Temporary differences1	12,107,126	–	–	–	–	12,107,126
Tax benefit	18,808,536	7,841,697	–	–	–	26,650,233

1 Exploration expenditure incurred in the Solomon Islands that has been expensed. This is expenditure is deductible over 5 years from when production commences.

GROUP 2017	OPENING BALANCE A$	NET CHARGED TO INCOME A$	NET CHARGED TO OTHER COMPREHENSIVE INCOME A$	NET CHARGED TO EQUITY A$	NET MOVEMENT ON UNWIND / TRANSFER A$	CLOSING BALANCE A$
Recognised deferred tax assets						
Carried forward tax losses	9,341,373	6,886,258	–	–	–	16,227,631
Accruals / provisions	–	314,852	–	–	–	314,852
Potential benefit	9,341,373	7,201,110	–	–	–	16,542,483
Recognised deferred tax liabilities						
Available for sale financial assets	–	–	(3,823,078)	–	–	(3,823,078)
Exploration and evaluation assets	(9,341,373)	(3,378,032)	–	–	–	(12,719,405)
Potential benefit	(9,341,373)	(3,378,032)	(3,823,078)	–	–	(16,542,483)
Net deferred taxes	–	3,823,078	(3,823,078)	–	–	–
Deferred tax assets not recognised						
Unused tax losses	11,655,562	(4,954,152)	–	–	–	6,701,410
Unused capital losses	–	–	–	–	–	–
Temporary differences1	12,107,126	–	–	–	–	12,107,126
Tax benefit	7,128,806	(1,486,246)	–	–	–	5,642,561

1 Exploration expenditure incurred in the Solomon Islands that has been expensed. This expenditure is deductible over 5 years from when production commences.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14 DEFERRED TAXATION CONTINUED

RECOGNISED DEFERRED TAX ASSETS AND LIABILITIES CONTINUED

COMPANY 2018	OPENING BALANCE A$	NET CHARGED TO INCOME A$	NET CHARGED TO OTHER COMPREHENSIVE INCOME A$	CLOSING BALANCE A$
Recognised deferred tax assets				
Carried forward tax losses	3,823,078	(2,676,395)	–	1,146,683
Accruals / provisions				
Potential benefit	3,823,078	(2,676,395)	–	1,146,683
Recognised deferred tax liabilities				
Available for sale financial assets	(3,823,078)	–	2,676,395	(1,146,683)
Exploration and evaluation assets	–	–	–	–
Potential benefit	(3,823,078)	–	2,676,395	(1,146,683)
Net deferred taxes	–	(2,676,395)	2,676,395	–
Deferred tax assets not recognised				
Unused tax losses	10,624,572	7,601,417	–	18,225,989
Unused capital losses	–	–	–	–
Temporary differences	–	–	–	–
Tax benefit	3,187,372	2,280,425	–	5,467,797

COMPANY 2017	OPENING BALANCE A$	NET CHARGED TO INCOME A$	NET CHARGED TO OTHER COMPREHENSIVE INCOME A$	CLOSING BALANCE A$
Recognised deferred tax assets				
Carried forward tax losses	–	3,823,078	–	3,823,078
Accruals / provisions	–	–	–	–
Potential benefit	–	3,823,078	–	3,823,078
Recognised deferred tax liabilities				
Available for sale financial assets	–	–	(3,823,078)	(3,823,078)
Exploration and evaluation assets	–	–	–	–
Potential benefit	–	–	(3,823,078)	(3,823,078)
Net deferred taxes	–	–	–	–
Deferred tax assets not recognised				
Unused tax losses	11,525,379	(900,807)	–	10,624,572
Unused capital losses	–	–	–	–
Temporary differences	–	–	–	–
Tax benefit	3,457,614	(270,242)	–	3,187,372

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		COMPANY	
	2018 A$	**2017** A$	**2018** A$	**2017** A$
Other receivables	3,912,807	1,086,332	229,954	689,248
Prepayments	317,247	90,920	316,932	90,920
Other current assets	–	130,092	–	–
	4,230,054	1,307,344	546,886	780,168

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

The amount receivable from CESA at 30 June 2018 was $16,827,186 (2017: $6,500,420). As there is uncertainty as to whether ENSA will be able to distribute earnings or dividends, a provision for doubtful debts has been recognised on the entire amount receivable from CESA.

Other receivables represent Australian Goods and Services Tax receivable, advances made to landowners in Ecuador for land purchases and in the prior year funds receivable from the exercise of share options. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired. No impairment loss has been recorded for the current and previous financial year.

NOTE 16 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2018 A$	**2017** A$	**2018** A$	**2017** A$
Cash at bank	81,825,617	89,312,743	79,628,278	88,669,626
Cash and cash equivalents in the statement of cash flows	81,825,617	89,312,743	79,628,278	88,669,626

The Group and Company do not have any loans or borrowings and therefore there are no changes in liabilities arising from financing activities to be disclosed in the cash flow statement.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 17 ALLOTTED, CALLED-UP AND FULLY PAID SHARE CAPITAL AND RESERVES

(A) AUTHORISED SHARE CAPITAL

	2017 NO. OF SHARES	2017 NOMINAL VALUE £
At 1 July 2016 – Ordinary shares	1,420,000,000	14,200,000
Increase in authorised share capital of £0.01 each on 13 October 2016	600,000,000	6,000,000
At 30 June 2017 – Ordinary shares	2,020,000,000	20,200,000

	2018 NO. OF SHARES	2018 NOMINAL VALUE £
At 1 July 2017 – Ordinary shares	2,020,000,000	20,200,000
Increase in authorised share capital of £0.01 each on 30 January 2018	735,024,500	7,350,245
At 30 June 2018 – Ordinary shares	2,755,024,500	27,550,245

Ordinary shares participate in dividends and the proceeds on winding up the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on show of hands.

(B) CHANGES IN ALLOTTED, CALLED-UP AND FULLY PAID SHARE CAPITAL AND SHARE PREMIUM

	NO. OF SHARES	NOMINAL VALUE A$	SHARE PREMIUM A$	TOTAL A$
Ordinary shares of 1p each at 30 June 16	953,897,601	17,015,019	87,488,507	104,503,526
Shares issued at £0.06 – Placement 28 August 20161	268,819,004	4,654,961	23,274,286	27,929,248
Share issue costs charged to share premium account	–	–	(4,696,253)	(4,696,253)
Shares issued at £0.13 – Placement 17 October 20162	206,250,000	3,298,144	40,426,856	43,725,000
Share issue costs charged to share premium account	–	–	(1,706,552)	(1,706,552)
Shares issued at £0.14 – Exercise of options 17 January 2017	900,000	14,499	178,820	193,319
Shares issued at £0.30 – Newcrest share issue 31 January 2017	100,000	1,660	47,949	49,609
Shares issued at £0.14 – Exercise of options 3 February 2017	1,200,000	19,804	257,457	277,261
Shares issued at £0.14 – Exercise of options 21 February 2017	900,000	14,582	189,646	204,228
Shares issued at £0.38 – Newcrest share issue 1 March 2017	240,000	3,885	145,201	149,086
Shares issued at £0.41 – Placement 16 June 2017	78,889,081	1,324,161	53,197,804	54,521,966
Share issue costs charged to share premium account	–	–	(72,269)	(72,269)
Shares issued at £0.14 – Exercise of options 26 June 2017	880,000	14,775	192,070	206,844
Shares issued at £0.28 – Exercise of options 26 June 2017	880,000	14,775	398,914	413,688
Ordinary shares of 1p at 30 June 2017	1,512,955,686	26,376,265	199,322,436	225,698,701

1 Includes the conversion of the DGR Global Ltd loan of A$5,700,000, conversion of capital raising costs of A$1,221,614, other debt conversions of A$86,359 and bonus shares issued to certain staff of A$519,481 as part of the share placement.

2 Includes conversion of capital raising costs of A$1,660,751 as part of the share placement.

	NO. OF SHARES	NOMINAL VALUE A$	SHARE PREMIUM A$	TOTAL A$
Ordinary shares of 1p each at 1 July 2017	1,512,955,686	26,376,265	199,322,436	225,698,701
Shares issued at £0.14 – Exercise of options 7 July 2017	1,300,000	21,978	285,709	307,687
Shares issued at £0.28 – Exercise of options 7 July 2017	1,300,000	21,978	593,396	615,374
Shares issued at £0.38 – Newcrest share issue 11 August 2017	690,000	11,366	422,377	433,743
Shares issued at £0.25 – Placement 30 November 2017	180,000,000	3,081,976	73,967,429	77,049,405
Share issue costs charged to share premium account	–	–	(1,957,490)	(1,957,490)
Ordinary shares of 1p at 30 June 2018	1,696,245,686	29,513,563	272,633,857	302,147,420

CAPITAL MANAGEMENT

Management controls the capital of the Group in order to generate long-term shareholder value and ensure that the Group can fund operations and continue as a going concern. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include share issues and debt considerations. 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		COMPANY	
	2018 A$	2017 A$	2018 A$	2017 A$
Current				
Trade payables	3,023,403	569,569	1,453,696	437,409
Other payables	1,999,965	1,950,716	112,372	228,603
Accrued expenses	4,410,297	220,890	307,980	94,362
	9,433,665	2,741,175	1,874,048	760,374

Increase in trade payable is due to the increased exploration activity on the Cascabel project as well as initial exploration carried out on the 72 regional exploration projects.

Increase in accrued expenses for the Group represents amounts recognised for metres drilled but not invoiced. The Group had 12 drill rigs on the Cascabel project in 2018 compared to 2 drill rigs in 2017.

NOTE 19 SHARE OPTIONS

At 30 June 2018 the Company had 88,353,768 options outstanding for the issue of ordinary shares (2017: 44,191,768).

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.

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 two (2) to 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.

SHARE OPTIONS ISSUED

There were 46,762,000 options granted during the year ended 30 June 2018 (2017: 41,591,768).

On 9 August 2017, the Company issued a total of 10,012,000 unlisted options to certain employees and contractors. The options have a strike price of £0.60 each and are exercisable once vested through to 8 August 2020.

On 28 July 2017, the Company issued a total of 36,750,000 unlisted options to Directors. The options have a strike price of £0.60 each and are exercisable once vested through to 8 August 2020.

On 28 October 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 once vested through to 28 October 2018.

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

NOTE 19 SHARE OPTIONS CONTINUED

DATE OF GRANT	EXERCISABLE FROM	EXERCISABLE TO	EXERCISE PRICES	NUMBER GRANTED	NUMBER AT 30 JUNE 2018
17 October 2016	The options vested immediately, through to 17 October 2018	17 October 2018	£0.14	9,795,884	9,795,884
			£0.28	9,795,884	9,795,884
28 October 2016	The options vest on the earlier of: (a) the expiry of 75% of the Term, or (b) a Change of Control Transaction, as defined under the Company's ESOP Rules.	28 October 2018	£0.28	22,000,000	22,000,000
28 July 2017	The options vest on the earlier of: (a) 18 months after the issue date, or (b) a Change of Control Transaction, as defined under the Company's ESOP Rules.	8 August 2020	£0.60	36,750,000	36,750,000
9 August 2017	The options vest on the earlier of: (a) 18 months after the issue date, or (b) a Change of Control Transaction, as defined under the Company's ESOP Rules.	8 August 2020	£0.60	10,012,000	10,012,000
				88,353,768	88,353,768

DATE OF GRANT	EXERCISABLE FROM	EXERCISABLE TO	EXERCISE PRICES	NUMBER GRANTED	NUMBER AT 30 JUNE 2017
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	–
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	1,300,000
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	1,300,000
17 October 2016	The options vested immediately, through to 17 October 2018	17 October 2018	£0.14	9,795,884	9,795,884
			£0.28	9,795,884	9,795,884
17 November 2016	The options vest on the earlier of: (a) the expiry of 75% of the Term, or (b) a Change of Control Transaction, as defined under the Company's ESOP Rules	28 October 2018	£0.28	22,000,000	22,000,000
				48,951,688	44,191,768

* 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.

SHARE-BASED PAYMENTS

The number and weighted average exercise price of share options are as follows:

	2018		2017	
	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER OF OPTIONS
Outstanding at the beginning of the year	£0.25	44,191,768	£0.27	21,380,000
Exercised during the year	£0.21	(2,600,000)	£0.17	(4,760,000)
Lapsed during the year	–	–	£0.31	(14,020,000)
Granted during the year	£0.60	46,762,000	£0.25	41,591,768
Outstanding at the end of the year	£0.45	88,353,768	£0.25	44,191,768
Exercisable at the end of the year	£0.28	41,603,768	£0.21	22,191,768

The options outstanding at 30 June 2018 have an exercise price of £0.14 and £0.60 (2017: £0.14 and £0.28) and a weighted average contractual life of 1.26 years (2017: 1.24 years).

Share options held by Directors are as follows:

SHARE OPTIONS HELD	AT 30 JUNE 2018	AT 30 JUNE 2017	OPTION PRICE	EXERCISE PERIOD
Nicholas Mather	–	750,000	14p	08/07/14 – 08/07/17
	–	750,000	28p	08/07/14 – 08/07/17
	26,250,000	–	60p	28/01/19 – 08/08/20
Brian Moller	–	550,000	14p	08/07/14 – 08/07/17
	–	550,000	28p	08/07/14 – 08/07/17
	3,750,000	–	60p	28/01/19 – 08/08/20
Robert Weinberg	–	–	14p	08/07/14 – 08/07/17
	–	–	28p	08/07/14 – 08/07/17
	2,250,000	–	60p	28/01/19 – 08/08/20
John Bovard	–	–	14p	08/07/14 – 08/07/17
	–	–	28p	08/07/14 – 08/07/17
	2,250,000	–	60p	28/01/19 – 08/08/20
Craig Jones	2,250,000	–	60p	28/01/19 – 08/08/20

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 19 SHARE OPTIONS CONTINUED

SHARE-BASED PAYMENTS CONTINUED

The total number of options outstanding at year end is as follows:

SHARE OPTIONS HELD AT 30 JUNE 2018	SHARE OPTIONS HELD AT 30 JUNE 2017	OPTION PRICE	EXERCISE PERIODS
–	1,300,000	£0.14	Vesting from 30 Day VWAP of 20p to 08/07/2017
–	1,300,000	£0.28	Vesting from 30 Day VWAP of 40p to 08/07/2017
9,795,884	9,795,884	£0.14	Exercisable through to 17/10/2018
9,795,884	9,795,884	£0.28	Exercisable through to 17/10/2018
22,000,000	22,000,000	£0.28	Vests on the earlier of the expiry of 75% of the term of the option or a Change of Control Transaction, as defined under the Company's ESOP Rules
36,750,000	–	£0.60	Vests on the earlier of 18 months from date of grant or a Change of Control Transaction, as defined under the Company's ESOP Rules.
10,012,000	–	£0.60	Vests on the earlier of 18 months from date of grant or a Change of Control Transaction, as defined under the Company's ESOP Rules.
88,353,768	44,191,768		

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.

	2018		
FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	£0.60 OPTIONS 28 JULY 2017	£0.60 OPTIONS 9 AUGUST 2017	£0.60 OPTIONS 9 AUGUST 2017
Number of options	36,750,000	10,000,000	12,000
Fair value at issue date	£0.167	£0.173	£0.173
Exercise price	£0.60	£0.60	£0.60
Expected volatility	89.714%	89.714%	89.714%
Option life	3.03 years	3.00 years	3.00 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	0.461%	0.461%	0.461%
Valuation methodology	Black-Scholes	Black-Scholes	Black-Scholes

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018	A$	A$	A$
Share based payments expense recognised in statement of comprehensive income	6,206,939	1,696,441	–
Share based payments expense recognised as share issue costs	–	–	3,411
Share based payments expense to be recognised in future periods	3,861,293	1,146,244	–

The calculation of the volatility of the share price on the above options was based on the Company's daily closing share price over the three-year period prior to the date the options were issued.

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	2017 £0.14 OPTIONS 17 OCTOBER 2016	2017 £0.28 OPTIONS 17 OCTOBER 2016	2017 £0.28 OPTIONS 28 OCTOBER 2016
Number of options	9,795,884	9,795,884	22,000,000
Fair value at issue date	£0.12	£0.09	£0.14
Exercise price	£0.14	£0.28	£0.28
Expected volatility	99.744%	99.744%	99.744%
Option life	2.00 years	2.00 years	2.00 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	0.53%	0.53%	0.66%
Valuation methodology	Black-Scholes	Black-Scholes	Black-Scholes

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018	A$	A$	A$
Share based payments expense recognised in statement of comprehensive income	–	–	2,665,506
Share based payments expense recognised as share issue costs	–	–	–
Share based payments expense to be recognised in future periods	–	–	–

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017	A$	A$	A$
Share based payments expense recognised in statement of comprehensive income	–	–	2,158,840
Share based payments expense recognised as share issue costs	1,912,810	1,393,000	–
Share based payments expense to be recognised in future periods	–	–	2,062,000

The calculation of the volatility of the share price on the above options 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)

FINANCIAL INSTRUMENTS BY CATEGORY (GROUP)

	LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE	
FINANCIAL ASSETS	2018	2017	2018	2017
Cash and cash equivalents	81,825,617	89,312,743	–	–
Other receivables	3,912,826	1,086,331	–	–
Loans receivable and other non-current assets	1,207,745	226,175	–	–
Equity investments	–	–	5,445,408	14,366,304
Total financial assets	86,946,188	90,625,249	5,445,408	14,366,304

	FINANCIAL LIABILITIES AT AMORTISED COST	
FINANCIAL LIABILITIES	2018	2017
Trade and other payables	9,433,662	2,741,175
Total financial liabilities	9,433,662	2,741,175

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) CONTINUED

FINANCIAL INSTRUMENTS BY CATEGORY (COMPANY)

	LOANS AND RECEIVABLES		AVAILABLE-FOR-SALE	
FINANCIAL ASSETS	**2018**	**2017**	**2018**	**2017**
Cash and cash equivalents	79,628,278	88,669,626	–	–
Other receivables	229,954	689,248	–	–
Loans receivable and other non-current assets	923,879	90,137	–	–
Equity investments	–	–	5,437,408	14,360,725
Total financial assets	80,782,111	89,449,011	5,437,408	14,360,725

	FINANCIAL LIABILITIES AT AMORTISED COST	
FINANCIAL LIABILITIES	**2018**	**2017**
Trade and other payables	1,874,048	760,374
Borrowings	–	–
Total financial liabilities	1,874,048	760,374

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.

For the Company, the main credit risk is the non-collection of loans made to its subsidiaries. The Directors expect to collect the loans through the successful exploration and subsequent exploitation of the subsidiaries' tenements.

There have been no changes in financial risks from the previous year.

During the year ended 30 June 2018 and 2017 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 A$1,632,512 and the Company's income statement by A$1,592,566. 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
- translation exposures in respect of investments in overseas operations which have functional currencies other than Australian dollars.

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.

	FUNCTIONAL CURRENCY OF ENTITY			
NET FINANCIAL ASSETS (LIABILITIES)	**AUD**	**USD**	**SBD**	**TOTAL**
2018				
Australian dollar	–	–	–	–
United States dollar (USD)	61,475,087	–	–	61,475,087
Solomon Island dollar (SBD)	5,282	–	–	5,282
Canadian dollar (CAD)	2,387,781	–	–	2,387,781
Great British Pound (GBP)	15,582,256	–	–	15,582,256
	79,450,406	–	–	79,450,406

	FUNCTIONAL CURRENCY OF ENTITY			
NET FINANCIAL ASSETS (LIABILITIES)	**AUD**	**USD**	**SBD**	**TOTAL**
2017				
Australian dollar	–	–	–	–
United States dollar (USD)	86,554,253	–	–	86,554,253
Solomon Island dollar (SBD)	14,746	–	–	14,746
Great British Pound (GBP)	173,926	–	–	173,926
	86,742,925	–	–	86,742,925

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD), United States dollar (USD) and the Great British Pound (GBP). A 10% increase in the SBD/A$, USD/A$ and GBP/A$ exchange rates would give rise to a change of approximately A$9,067,200 (2017: A$9,638,103) in the Group net assets and reported earnings. A 10% decrease in the SBD/A$, USD/A$ and GBP/A$ exchange rates would give rise to a change of approximately A$7,418,618 (2017: A$7,885,720), The Group does not hedge foreign currency exposures and manages net exposures by buying and selling foreign currencies at spot rates where necessary. 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.

CREDIT RISK

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. The banks and their credit ratings the Group had cash accounts with at 30 June 2018 were A$180,096 in cash accounts with Macquarie Bank Limited (BBB) in Australia, A$5,111 in cash accounts with the ANZ Bank (AA-) in Australia, A$79,465,958 in cash accounts with Westpac Bank (AA-) in Australia, A$5,282 in cash accounts with the ANZ Bank (AA-) in Honiara, Solomon Islands, A$1,230,342 in cash accounts with Banco Guayaquil (AAA-) in Ecuador, A$919,409 in cash accounts with Produbanco (B) in Ecuador and A$19,419 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was A$85,738,424 (2017: A$90,388,769).

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 2018, the company had A$79,628,278 in cash and cash equivalents (2017: A$88,669,626) and A$136,911,197 of intercompany loan balances receivable (2017: A$55,302,853). The maximum exposure to credit risk at the reporting date was A$216,239,475 (2017: A$143,973,144).

Credit risk is managed by dealing with banks with high credit ratings assigned by international credit rating agencies. Furthermore, funds are deposited with banks of high standing in order to obtain market interest rates.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) CONTINUED

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 versus alternate financing options. Funds are provided to local sites bi-monthly, based on the sites' forecast expenditure.

All liabilities held by the Group and Company 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, with the exception of available for sale assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

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	2,184,959	8,739,836	–
Solomon Islands	–	–	–
Queensland	252,167	299,833	–
	2,437,126	9,039,669	–

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 and are 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 2018 A$400,000 was paid or payable to Samuel (2017: A$416,667). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is A$16,667 (2017: A$26,725).

(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 2018 A$360,000 was paid or payable to DGR Global (2017: A$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 A$94,844 (2017: A$22,011).

(iii) Mr Brian Moller (a Director), is a partner in the Australian firm HopgoodGanim lawyers. For the year ended 30 June 2018, HopgoodGanim were paid A$220,457 (2017: A$459,325) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was A$nil (2017: A$92,350).

(iv) Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the year ended 30 June 2018, Bennett Jones were paid A$565,982 for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was A$nil.

(v) On 20 November 2015, DGR Global Ltd agreed to provide short term funding to SolGold plc to provide working capital. Interest on the facility was 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 A$7 million, all other conditions remained the same. On 29 August 2016, DGR Global Ltd converted A$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.

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 Notes 5 and 19).

All related party transactions are conducted at arm's length.

SUBSIDIARIES

The Company has an investment in subsidiaries balance of A$146,415,708 (2017: A$64,289,892). 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2018

NOTE 23 ACCOUNTING ESTIMATES AND JUDGEMENTS

KEY SOURCES OF ESTIMATION UNCERTAINTY

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

EXPLORATION AND EVALUATION EXPENDITURE

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

The carrying values of exploration and evaluation expenditure were assessed for indicators of impairment based on an estimation of the recoverability from expected future development and production. In forming this assessment, the Group considered the external Maiden Resources Estimate, the status of its permits and internal economic models and financing which supported the carrying value of the project. No triggers of impairment were identified at 30 June 2018. The Directors have carried out an assessment of the carrying values of deferred exploration and evaluation expenditure and any required impairment and is included in note 12.

SHARE BASED PAYMENTS

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

TAXES

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

The Group has A$173,136,523 (2017: A$86,232,512) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward. Further details on taxes are disclosed in note 7.

NET SMELTER ROYALTY PAYABLE

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

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. The smelter royalty is considered to be a contingent liability as the Group has not yet completed a pre-feasibility study at 30 June 2018 as such there is significant uncertainty over the timing of any payments that may fall due.

In the event Cornerstone Capital Resources Inc.'s (Cornerstone) equity interest in ENSA is diluted below 10%, Cornerstone's equity interest will be converted to a half of one percent (0.5%) interest in a Net Smelter Return and SolGold will have right to purchase the Net Smelter Return for US$3.5 million at any time. At 30 June 2018, Cornerstone's equity interest in ENSA had not diluted below 10%.

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

There are no other contingent assets and liabilities at 30 June 2018 (2017: nil).

NOTE 25 SUBSEQUENT EVENTS

On 5 July 2018, the Company issued an additional 21,250,000 unlisted options to employees and contractors. The options have a strike price of £0.40 each and are exercisable through to 4 July 2020.

On 5 July 2018, the Company issued an additional 250,000 unlisted options to a contractor. The options have a strike price of £0.60 each and are exercisable through to 4 July 2021.

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.