

SolGold PLC Announces Exploitation Agreement with Government of Ecuador

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Announces Agreement with Government of Ecuador on Exploitation Agreement Terms and Conditions

BISHOPSGATE, July 19, 2023 - The Board of Directors of SolGold ("SolGold" or the "Company")(LSE:SOLG)(TSX:SOLG) is pleased to announce that it has completed the contractual negotiations and agreed upon a term sheet ("Term Sheet") in preparation for the execution of the Exploitation Agreement ("Agreement") for the Cascabel Project ("Project"), its flagship copper-gold project in Ecuador.

SolGold began exploration work at Cascabel in July 2011, leading to the discovery of the Alpala and Tandayama America deposits on the Cascabel Concession. Since January 2023, SolGold has been in discussions with the Government of Ecuador to negotiate the terms and conditions of the Exploitation Agreement for the Cascabel Project. The Exploitation Agreement, coupled with existing legislations and regulations, establishes the legal and financial terms and conditions required for the Cascabel Project's development. The agreed Term Sheet, which has been approved by the Ecuadorian Government, marks a pivotal step forward for the Project.

SolGold's CEO and President of SolGold Ecuador, Scott Caldwell, stated, "The completion of the negotiations and execution of the Term Sheet of the Exploitation Agreement for the Cascabel Project stands as a significant milestone, reflecting our shared commitment to all stakeholders. SolGold extends our sincere gratitude to the Government of Ecuador, regional administrations and local communities for their invaluable collaboration and support, each of whom has been instrumental in this momentous achievement. This Agreement is a positive outcome and exemplifies our unwavering dedication to working collaboratively with all our stakeholders."

Key Contract Terms

All monetary amounts stated below are references to United States Dollars.

- [SolGold plc](#), through its wholly owned subsidiary in Ecuador, Exploraciones Novomining S.A. ("Mining Concessionaire"), has negotiated the right to develop the Cascabel Project and produce copper, gold, and silver from the contract area for 33 years, which may be renewed.
- The Company and the Government of Ecuador have agreed to an advance royalty payment totalling \$75 million, with \$25 million due upon the concentrator construction start date. The remaining two payments, each of \$25 million, will be made on the first and second anniversary, respectively, from the date of the first payment. The advance royalty will be deductible against the Government Royalty (defined below).
- One of the key economic assumptions is that the Company expects a reduced corporate income tax rate of 20% (previously 25%) during the Project's life once the Government of Ecuador approves the amendment of the Investment Protection Agreement. Based on this reduced corporate income tax rate, the Mining Concessionaire, the State, and SolGold have agreed to a variable royalty on net smelter revenues in accordance with Ecuadorian Mining Law ("Government Royalty"). The applicable royalty rate follows the progressivity criteria stated in the Mining Law, stipulating a variable percentage rate from 3% to 8%. This rate is dependent on the type of mineral and its price, as shown in Table 1: Royalty Rates. The royalty will be based on net smelter returns received from the sales of copper, gold, silver, or other marketable mineral products from the Project (for each mineral product, respectively, "NSR Revenue").

According to the Mining Law in Ecuador, 60% of the revenue from the royalties collected by the government will be allocated to productive and sustainable projects through the municipal governments and parish councils of the communities of the Cascabel Project. The Company expects these funds to make an

important contribution to local development in the area of influence.

Table 1: Royalty Rates

Realized Copper Price (US\$/lb)	Percentages applicable to Copper NSR Revenue
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Equal to or less than \$3.00	3.0%
From \$3.01 to \$3.50	4.0%
From \$3.51 to \$4.00	5.0%
From \$4.01 to \$4.50	6.0%
From \$4.51 to \$5.00	7.0%
Equal to or more than USD 5.01	8.0%

Realized Gold Price (US\$/oz)	Percentages applicable to Gold NSR Revenue
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Equal to or less than \$1,400.00	3.0%
From \$1,400.01 to \$1,600.00	4.0%
From \$1,600.01 to \$1,800.00	5.0%
From \$1,800.01 to \$2,000.00	6.0%
From \$2,000.01 to \$2,200.00	7.0%
Equal to or more than \$2,200.01	8.0%

Realized Silver Price (US\$/oz)	Percentages applicable to Silver NSR Revenue
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Equal to or less than \$20.00	3.0%
From \$20.01 to \$22.50	4.0%
From \$22.51 to \$25.00	5.0%
From \$25.01 to \$27.50	6.0%
From \$27.51 to \$30.00	7.0%
Equal to or more than \$30.01	8.0%

- The advance royalty will be deductible against the lesser of 50% of the royalties payable or 10% of the total advance royalty payment made until the advance royalty is settled in full (calculated every six months once the Government Royalty becomes payable).

- According to current legislation, the Exploitation Agreement also provides that the Government of Ecuador's share of cumulative discounted benefits derived from SolGold's Cascabel Project will not be less than 50%. Each year, to the extent that the Government of Ecuador's cumulative benefit falls below 50%, the Company will be required to pay an annual sovereign adjustment. The Government of Ecuador's benefit will be calculated as the present value of the cumulative sum of taxes paid, including corporate income taxes, royalties, labour profit sharing paid to the State, non-recoverable VAT and any previous sovereign adjustment payments. To the knowledge of the Company, no mining company operating in Ecuador with a similar sovereign adjustment clause in its exploitation agreement has made a payment to the government pursuant to such clause. Based on the economic assumptions included in the Project's financial model, it is not expected that the Company will be required to make any such payments after the commencement of commercial production at the Cascabel Project.
- The Term Sheet also includes a mechanism for correcting any economic imbalance for the Mining Concessionaire as a result of changes in taxes, laws and regulations in place at the date of the signing of this Agreement. The provision removes a significant amount of uncertainty for the economic regime governing the Project in the future.
- The Term Sheet also develops various investor protection rights, ensuring the protection of the investment including, among other things, a dispute resolution mechanism through international arbitration.
- The Mining Concessionaire will be solely responsible for making pertinent technical and economic decisions in the design, construction and operation of the Cascabel Project as specified in the Term Sheet.

In the following months, the Company must apply to change the SolGold Project's official status from exploration phase to exploitation phase (the "Phase Change Application"). The Company has up to six months after the approval of the Phase Change Application to execute the Exploitation Agreement with the Government of Ecuador. Once executed, the Exploitation Agreement is required to be registered with the Mines Registry and will be made publicly available on the Company's profile on the SEDAR website maintained by the Canadian Securities Administrators at www.sedar.com.

A conference call with a live webcast presentation to provide a market update will be held on July 20, 2023, at 8:00 a.m. (EST), 1:00 p.m. (BST), and 10:00 p.m. (AEST).

Investors can register for SolGold's webcast on 6ix.com for free via the following link:

<https://my.6ix.com/2kg-oijy>

The presentation is open to all existing and potential shareholders. The presentation material will also be available on the day of the presentation at: <https://www.solgold.com.au/investors-center>.

This announcement was approved for release by Ryan Wilson - Company Secretary.

CONTACTS

Scott Caldwell
Chief Executive Officer Tel: +44 (0) 20 3807 6996
Tavistock (Media)
Jos Simson/Gareth Tredway Tel: +44 (0) 20 7920 3150

ABOUT SOLGOLD

SolGold is a leading resources company focused on the discovery, definition and development of world-class copper and gold deposits and continues to strive to deliver objectives efficiently and in the interests of shareholders.

The Company operates with transparency and in accordance with international best practices. SolGold is committed to delivering value to its shareholders while simultaneously providing economic and social benefits to impacted communities, fostering a healthy and safe workplace, and minimizing the environmental impact.

SolGold is listed on the London Stock Exchange and Toronto Stock Exchange (LSE/TSX: SOLG).

See www.solgold.com.au for more information.

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News releases, presentations and public commentary made by [SolGold plc](#) (the "Company") and its Officers may contain certain statements and expressions of belief, expectation or opinion which are forward looking statements, and which relate, inter alia, to interpretations of exploration results to date and the Company's proposed strategy, plans and objectives or to the expectations or intentions of the Company's Directors, including the plan for developing the Project currently being studied as well as the expectations of the Company as to the forward price of copper. Such forward-looking and interpretative statements involve known and unknown risks, uncertainties and other important factors beyond the control of the Company that could cause the actual performance or achievements of the Company to be materially different from such interpretations and forward-looking statements.

Accordingly, the reader should not rely on any interpretations or forward-looking statements; and save as required by the exchange rules of the TSX and LSE or by applicable laws, the Company does not accept any obligation to disseminate any updates or revisions to such interpretations or forward-looking statements. The Company may reinterpret results to date as the status of its assets and projects changes with time expenditure, metals prices and other affecting circumstances.

This release may contain "forward-looking information". Forward-looking information includes, but is not limited to, statements regarding the Company's plans for developing its properties. Generally, forward-looking information can be identified by the use of forward-looking terminology such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved".

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: transaction risks; general business, economic, competitive, political and social uncertainties; future prices of mineral prices; accidents, labour disputes and shortages and other risks of the mining industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to, risks relating to the ability of exploration activities (including assay results) to accurately predict mineralization; errors in management's geological modelling and/or mine development plan; capital and operating costs varying significantly from estimates; the preliminary nature of visual assessments; delays in obtaining or failures to obtain required governmental, environmental or other required approvals; uncertainties relating to the availability and costs of financing needed in the future; changes in equity markets; inflation; the global economic climate; fluctuations in commodity prices; the ability of the Company to complete further exploration activities, including drilling; delays in the development of projects; environmental risks; community and non-governmental actions; other risks involved in the mineral exploration and development industry; the ability of the Company to retain its key management employees and skilled and experienced personnel; and those risks set out in the Company's public documents filed on SEDAR at www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

The Company and its officers do not endorse, or reject or otherwise comment on the conclusions, interpretations or views expressed in press articles or third-party analysis.

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