

CORE GOLD INC.

(TSXV: CGLD; OTCQX: CGLDF)

Price: September 19 \$0.27
52-Week Range: \$0.38-\$0.22

Shares O/S: 133,778 million
Market Cap: \$36.12 million

Average Share Volume
50-day: 92,600
200-day: 118,000

Year-End: December 31

Symbol: TSX-V: CGLD

Website:
<https://www.coregoldinc.com>

Financial Data:

Balance Sheet	12 Months	12 Months
(US\$000s)	Dec 31/2017	June 30/2018
Cash	\$1,097	\$509
Current Assets	\$3,215	\$3,681
Mineral Properties	\$21,002	\$19,463
Total Assets	\$24,445	\$23,476
Total Liabilities	\$6,738	\$6,682
Working Capital	-\$19,258	-\$16,912
Working Capital Ratio	0.14	0.18
Total Equity	-\$988	-\$697
Actual Shares O/S	114,136	133,778
Wtd Avg Shares O/S	95,383	110,129

Statement of Loss	12 Months	12 Months
(C\$000s)	Dec 31/2017	June 30/2018
Non-disc OpEx ("Burn")	-\$7,444	-\$8,097
Average Monthly Burn	-\$620	-\$675
Equity Financing	\$5,287	\$6,841
Net Profit/(Loss)	-\$22,280	-\$17,508

Source: Company and eResearch

eResearch Analyst (on this report):
 Bob Weir, B.Sc., B.Comm., CFA



THE COMPANY

Core Gold Inc. (“Core Gold”, or the “Company”) changed its name on September 28, 2017 from Dynasty Metals and Mining Inc. The Company is involved in the acquisition, exploration, and development of mineral concessions in southern Ecuador.

The Company is focused on: (a) expanding its currently small-scale open pit gold-producing activities at its Dynasty Goldfield Project; (b) restarting underground mining at its Zaruma Gold Mine; and (c) increasing the production capacity at its Portovelo processing plant, all with the goal of becoming a significant gold producer in Ecuador by operating profitable mines, expanding production, and increasing its exploration investments.

UPDATE: Core Gold’s new management team (see below) is working diligently to overcome the Company’s financial difficulties. In this respect, the Company is making meaningful headway in its financial restructuring that should result in its ability to fund further development of its mining projects, settle its debt obligations, and maintain its mining concessions.

NEW MANAGEMENT

The Company embraced a new management team (see Page 19) in September 2016. At the time, the Company had significant outstanding financial obligations that were not being met. Considerable progress has been made in this regard as detailed throughout this report.

CORE GOLD PROJECTS

Core Gold is a significant gold-mining company operating in southern Ecuador. It has two producing gold assets, two exploration gold-copper assets, and one operating processing plant. These are shown in Figure 1 below.

The two producing gold assets are:

- (1) Dynasty Goldfield Project; and
- (2) Zaruma Gold Mine;

The two exploration gold-copper assets are located in the Dynasty Copper-Gold Belt and are:

- (1) Linderos; and
- (2) Copper Duke

The Company’s other producing asset is the Portovelo Plant, an operating processing mill.

The Company has one other asset, the Jerusalem Gold Project but, to date, has conducted little work on it.

Figure 1: Core Gold Production Assets



Source: Company

DYNASTY GOLDFIELD PROJECT

The Dynasty Goldfield Project is the Company's primary producing asset, which covers an area of approximately 21,909 hectares within the Dynasty Copper-Gold Belt, shown on the map on the previous page. It is located approximately 160 km southwest of the Company's Zaruma Gold Mine and its Portovelo Plant.

The Dynasty Goldfield Project includes the Papayal Project and the Cerro Verde Zone quartz vein swarms and stock-works, where drilling has confirmed the presence of high-grade gold and silver mineralization to depth.

UPDATE: In all, the Company has 100% ownership of 24 concessions. It does not have any work obligations with respect to the property.

Historic Exploration

Approximately 26,700 metres of drilling has been completed on the Dynasty Goldfield concessions, to depths of approximately 200 metres.

The Company completed preliminary exploration work on the Project for the five years 2003-2008, at which time the Government of Ecuador placed an exploration moratorium on the country's mining industry.

Until 2016, the Company did little work on the Project since the moratorium ended, except for the completion of a NI 43-101 Technical Report, with the mineral resource estimate being based on historical drill data. See below.

Government Sanction

Then, in February 2016, the Company received the Environmental Authorization for the Dynasty Goldfield Project, which qualifies under Ecuador's small-scale mining regulations. The qualification means that the Company does not have to sign a mining contract with the Government; however, it will pay a 3% production royalty, but no windfall tax. The regulations also permit open-pit activities with an exploitation volume of up to 1,000 tonnes a day per concession.

COMMENT: *The Company has three concessions under consideration, which means it can mine a total of 3,000 tonnes per day.*

Strategic Initiative

In an effort to gain diversification and greater mining flexibility, in April 2016, Core Gold entered into a three-year agreement with Green Oil S.A. ("Green Oil"), an Ecuadorean company, for its Dynasty Goldfield Project. The agreement authorizes Green Oil to act as contractor for the development of specific mining concessions.

Specifically, Green Oil will focus on surface excavation of mineralized material on three mining concessions within the Dynasty Goldfield Project. Each of these is fully permitted and qualified under Ecuador's special regulations for small-scale mining.

Terms of the Agreement

Green Oil must excavate a minimum of 400 tonnes per day within two months of commencement of mining activities, and 750 tonnes per day by the beginning of the third month. Green Oil is restricted to mining open-pit surface material only. Core Gold retains the right to explore and develop any and all underground mineralization on the three concessions, and all rights to mineralized material developed underground within or beyond the three-year term of the agreement.

Green Oil is required to begin exploitation (open pit excavation under the Company's direction) within 60 days of commencing road construction. Green Oil will be responsible for transportation of mineralized material from the point of excavation to the Portovelo Plant, approximately 180 km away.

Green Oil is also responsible for securing the mineralized material during transport as well as tracking truck loads via satellite from the point of excavation to the Portovelo Plant.

Green Oil's compensation will be based on the cash equivalent of 35% of refined gold sales (this percentage rises to 40% when the gold spot price is below \$1,350 per oz. or when the head grade is below 3.8 g/t of gold), and 10% of refined silver sales from the concessions defined under this agreement. International pricing of both commodities is required for payment calculation. Green Oil will cover the proportional cost of transportation and refining costs as per the above percentages.

COMMENT: Green Oil commenced activity in December 2016. During the three-year agreement, Core Gold will direct all mining operations, and Green Oil will be responsible for all capex and operating costs.

Initial Production at the Dynasty Goldfield Project

Mining activities at the Dynasty Goldfield Project began in Q1/2017 (January), with meaningful production beginning in Q3/2017, production ramping up to Q2/2018, and reaching a peak monthly production rate of approximately 2,800 oz of gold per month. Figure 2 below shows the quarterly and half-yearly production, sales, and price realizations.

Production was 2,068 oz. in H1/2017, 12,749 oz. in H2/2017, and 10,730 oz. in H1/2018.

Figure 2: Core Gold FY2017/1H2018 Gold Production/Sales/\$perOz

	2017			2018		
	Production (oz.)	Sales (oz.)	Avg Price \$/oz.	Production (oz.)	Sales (oz.)	Avg Price \$/oz.
Q1	1,170	781	\$1,234	5,528	5,484	\$1,350
Q2	898	0	\$0	5,202	5,225	\$1,320
H1	2,068	781	\$1,234	10,730	10,709	\$1,335
Q3	4,233	3,944	\$1,294			
Q4	8,516	9,712	\$1,248			
H2	12,749	13,656	\$1,261			
Year	14,817	14,437	\$1,260			

Source: Company

As a result of entering the production stage, on its balance sheet, the Company reclassified its *exploration and evaluation* assets to *properties, plant and equipment*, which we have called "Mineral Properties". See Financials, page 14.

All of Core Gold's material from Dynasty Goldfield is being trucked to the Company's wholly-owned Portovelo processing plant for processing and sale. The Company anticipates that, based upon the current Portovelo Plant capacity of 750 tons per day, gold production from the Dynasty Goldfield mining unit may be able to sustain an annualized rate of approximately 22,000 to 26,000 ounces.

Although the plant was recently upgraded, there are plans to double the capacity of the plant beginning in Q4/2018 to 2,000 tons per day at a cost of approximately US\$4 million, with completion expected in Q1/2019. This involves refurbishing the milling circuit as well as increasing carbon-in-pulp tank capacity.

The CIP, or carbon-in-pulp, gold extraction process involves leaching taking place in tanks dedicated for leaching followed by adsorption onto carbon in tanks dedicated for adsorption.

Source: 911metallurgist

Carbon-in-pulp is the sequential leach then adsorption of gold from ore. Pulp flows through several agitated tanks containing sodium cyanide and oxygen, which dissolve gold into solution. During adsorption, this solution flows through several agitated tanks containing activated carbon. Gold adsorbs onto the activated carbon, which flows counter-current to the pulp, while screens separate the barren pulp from the gold-loaded carbon.

Source: www.spxflow.com

NI 43-101 Technical Report (October 2014) (has not been updated)

The mineral resource estimate for the Dynasty Goldfield Project is shown in the following table:

Figure 3: Dynasty Goldfield Project Mineral Resource Estimate

Category	Tonnes (t)	Gold grade (g/t)	Contained Gold (ozs)	Silver grade (g/t)	Contained Silver (ozs)
Measured	2,909,000	4.7	437,000	38.1	3,567,000
Indicated	3,958,000	4.6	585,000	38.8	4,936,000
Total M&I	6,867,000	4.6	1,022,000	38.5	8,504,000
Inferred	7,825,000	4.4	1,118,000	39.4	9,901,000

Note: A cut-off grade of 2.0 g/t was used to derive the mineral resource estimate.

Source: Company

As shown in Figure 3 above, the Dynasty Goldfield Project contains 1.022 million ounces of gold in the Measured and Indicated category averaging 4.6 grams per ton, and a further 1.118 million ounces of gold in the Inferred category averaging 4.4 g/t.

COMMENT: *The mineral resource estimate is significant enough to be the cornerstone of the Company's future gold production activities. The gold grades are high. There are also meaningful silver resources.*

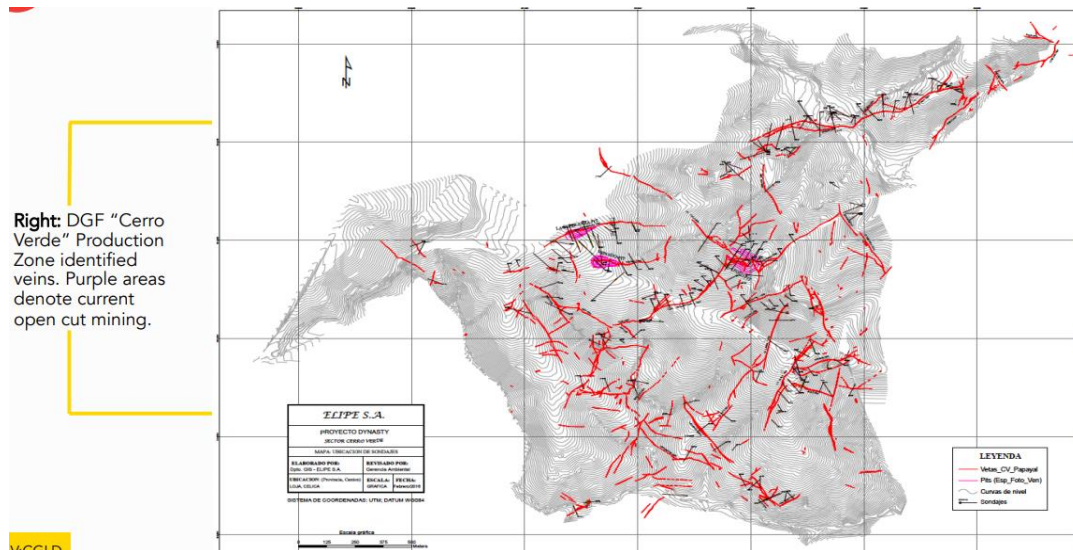
From the Company's website:

Since commencement of production at Dynasty Goldfield, the head grade of mined material delivered to the Portovelo Plant has averaged 3.2 grams/ton gold which, when accounting for mining dilution, is consistent with the resource grade as defined in the Technical Report despite not having established reserves. Further, since commencement of production along 6 previously identified veins in the Cerro Verde Zone of the project, the Company is pleased to announce that a further 3 veins have been discovered and mined suggesting further potential upside to the project's already significant resources and development potential.

Dynasty Goldfield Project Production Zone Veins

Figure 4, below, shows the production zone veins.

Figure 4: Dynasty Goldfield Project Production Zone Veins

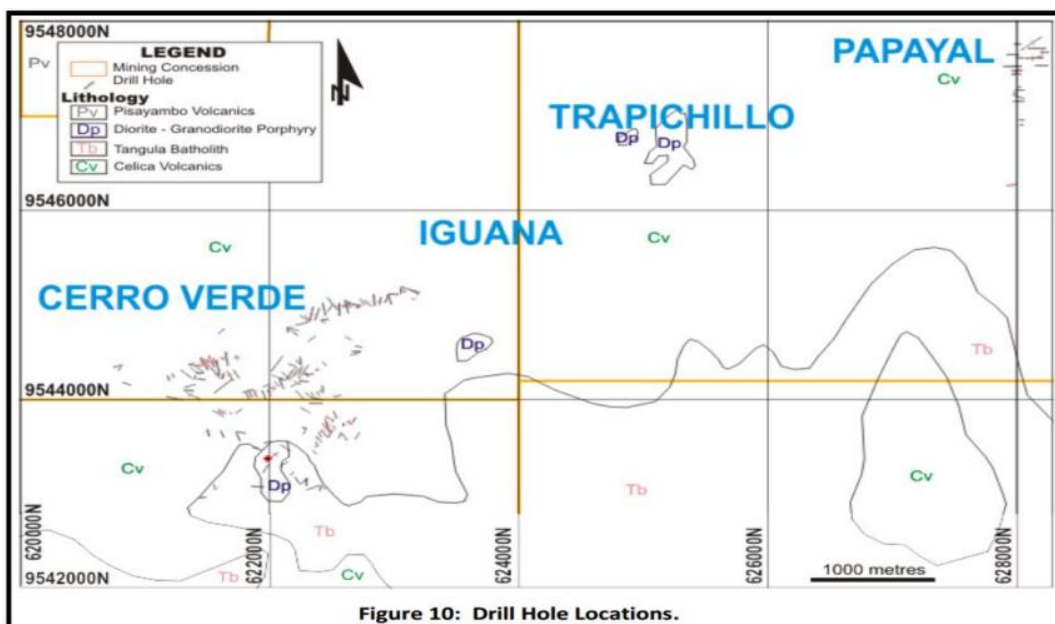


Source: Company

Exploration Potential

To date, exploration activities at the Dynasty Goldfield Project have been limited to drilling and trenching of visible out-cropping veins at Cerro Verde and Papayal, involving less than 50% of the 10-kilometre strike length between the two areas. Notably, the mining of 6 known veins in 2017 at Cerro Verde led to the discovery of 3 additional veins. See Figure 5 below.

Figure 5: Dynasty Goldfield Project Exploration Activities



Source: Company

PORTOVELO PLANT

The Portovelo Plant is located just 7.5 km from the Zaruma Gold Mine, and about 150 km from the Dynasty Goldfield Project. It features a combination of a concentrate gravity recovery system with a leaching and carbon-in-pulp (CIP) circuit. Well established, the processing plant has a capacity of 2,000 tpd which, as of September 2017, makes it the largest processing plant currently operating in Ecuador.

Currently, the mill is operating at 750 tpd with one ball mill. Plans are to begin refurbishment of the mill in late 2018 and increase its throughput to 2,000 tpd by Q1/2019.

UPDATE: Core Gold expects to expand the capacity of the Portovelo Plant as soon as the Company is able to complete the restructuring of its currently-constraining financial situation. The plant's expansion is a high priority corporate objective.

Figure 6: Portovelo Plant



Source: Company

<continued>

ZARUMA GOLD MINE

UPDATE: There have been no significant new developments on the Zaruma project over the past eight months.

The Zaruma Gold Mine is located about 3 km north of the town of Zaruma in southern Ecuador. The Zaruma-Portovelo Mining District lays claim to a significant high-grade goldfield which, historically, is believed to have produced more than 5 million ounces of gold.

The Zaruma Gold Mine comprises a concession area of over 100 sq. km. The trend contains multiple veins over a 15 km strike length. Only about 10% of the trend has been explored.

Core Gold has a 100% ownership interest in the Zaruma Gold Mine. There is a production royalty of 3% of total gold revenue payable to the Ecuadorean Government and a 1.5% royalty payable to the previous owner.

Historic Exploration

Mining in the Zaruma-Portovelo Mining District of southern Ecuador has been going on for centuries. Various companies and government entities have been involved in mining operations there, but it was not until IAMGOLD Corporation acquired all of the position of a previous developer that an extensive exploration program was conducted, including surface trenching, surface and underground sampling, surveying, and diamond drilling. It also consolidated legal titles, added considerable information to the project database, employed systematic geochemical data quality control, and undertook geological modelling.

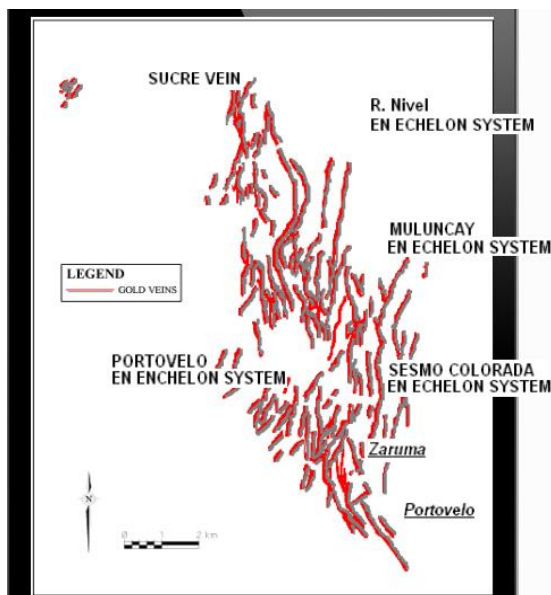
In August 2003, the predecessor company to Core Gold acquired all of the IAMGOLD properties, which were transferred to it for reimbursement of transaction costs only. The IAMGOLD data was also acquired as part of the purchase of the concessions.

Core Gold Development Work

Since acquiring the properties in 2003, Core Gold has established underground mining operations at Zaruma as well as processing operations at the Portovelo Plant (see page 11), which is situated only about 7.5 km away.

The Zaruma Gold Mine has numerous underground veins available for exploitation, although they are generally less than 1.5 metres in width, which limits efficient production.

Figure 7: Zaruma Gold Mine Mineral Veins



The new management team at Core Gold, which took over in September 2016, put the Zaruma Gold Mine on stand-by, with minimal operations until it completes a more efficient plan for the mine. Management hopes to have its new plan implemented some time in 2018.

NI 43-101 Technical Report (September 2014) (has not been updated)

The mineral resource estimate for the Zaruma Gold Mine is shown in the following table:

Figure 8: Zaruma Gold Mine Mineral Resource Estimate

<u>Category</u>	<u>Tonnes</u>	<u>Gold Grade (g/t)</u>	<u>Contained Gold (ozs)</u>
Measured	1,590,000	13.48	689,000
Indicated	<u>1,030,000</u>	<u>12.18</u>	405,000
Total M+I	2,620,000	12.97	1,094,000
Inferred	3,700,000	12.2	1,448,000

Source: Company

The Technical Report contains a Preliminary Economic Assessment (PEA). Its findings indicated that the Zaruma Gold Mine could have a 15-year mine life, based on current operating and financial metrics.

<continued>

EXPLORATION PROJECTS

Core Gold has two exploration projects: (1) Linderos; and (2) Copper Duke.

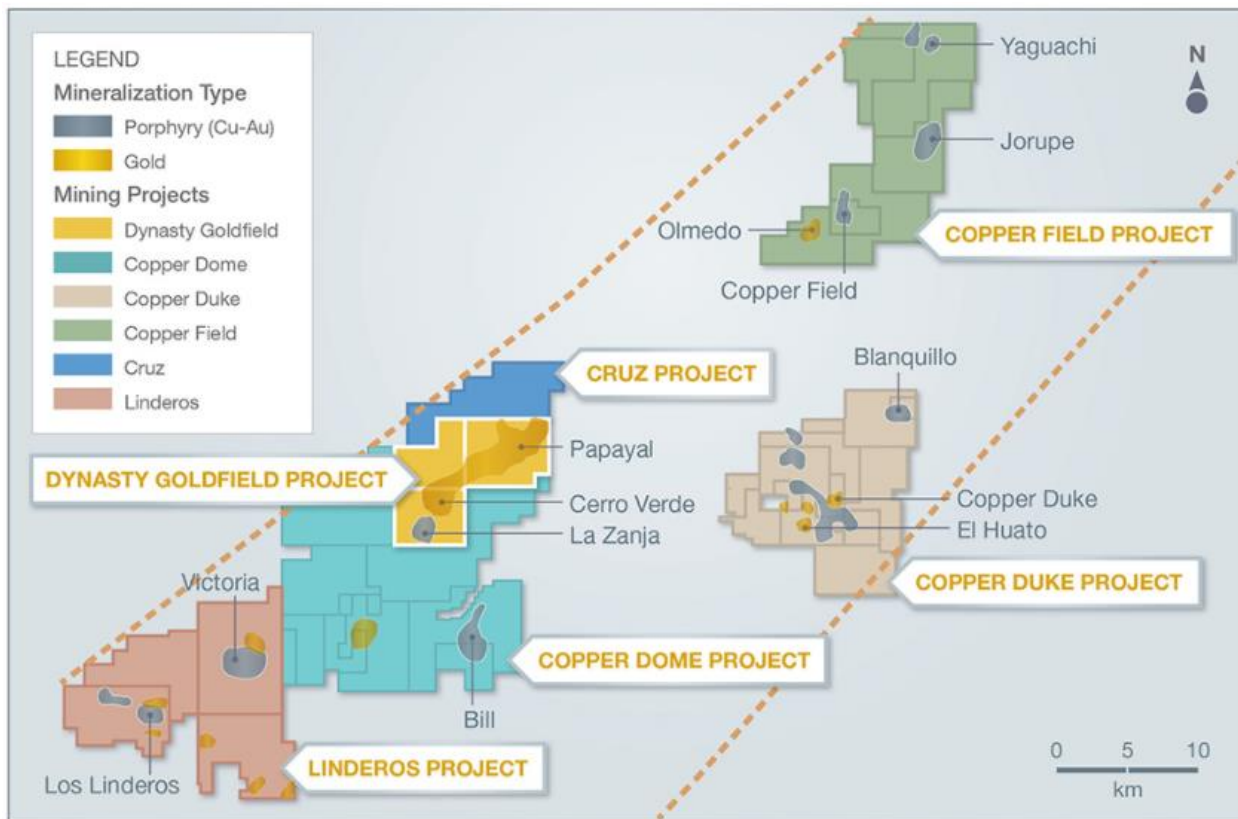
LINDEROS PROJECT

The Linderos exploration target is a new discovery made by Core Gold during its 2017 exploration efforts. Being new, it has not been subject to any prior trenching or historical drill-testing. Altogether, the four contiguous concessions that comprise the Linderos Project total 14,317 hectares. They are located approximately 45 km southwest of the Dynasty Goldfield Project. See map below.

In 2017, Core Gold undertook a significant trenching program. 29 of a planned 60 trenches were completed with highly encouraging success. The trenching indicated a brecciated shear zone having a width of 120 metres and a length of 1000 metres and showing high grade surface gold mineralization. The 29 trenches were conducted over an area of 100x150 metres within the shear zone and averaged 9 metres in width and an assayed grade of 11 grams per ton. It is expected that the mineralization continues to depth. With surface rights secured, in addition to further trenching work, the Company is applying for permits for drilling and bulk sampling with the expectation of being able to begin this work in Q1/2018.

UPDATE: Core Gold commenced a 1,700 metre Phase 1 drilling program in July. Initially, it will focus on two porphyry-related mesothermal-epithermal gold-bearing vein structures that are contained in a northwest-southeast trending shear zone that were mapped and sampled in 2017. CEO Keith Piggot said, "... we believe Linderos to be one of the most prospective undrilled gold targets in Ecuador."

Figure 9: Location of Exploration Projects – Linderos and Copper Duke

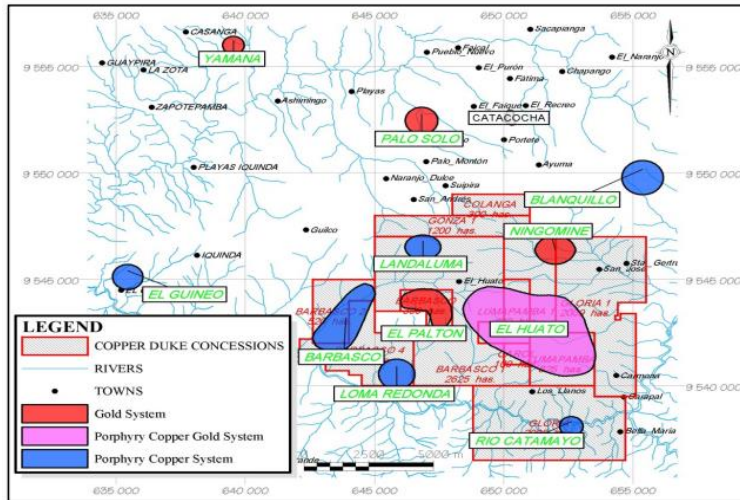


Source: Company

COPPER DUKE PROJECT

The Copper Duke Project represents a high potential gold/copper porphyry prospect, with five known porphyry copper systems and two gold targets.

Figure 10: Copper Duke Concessions

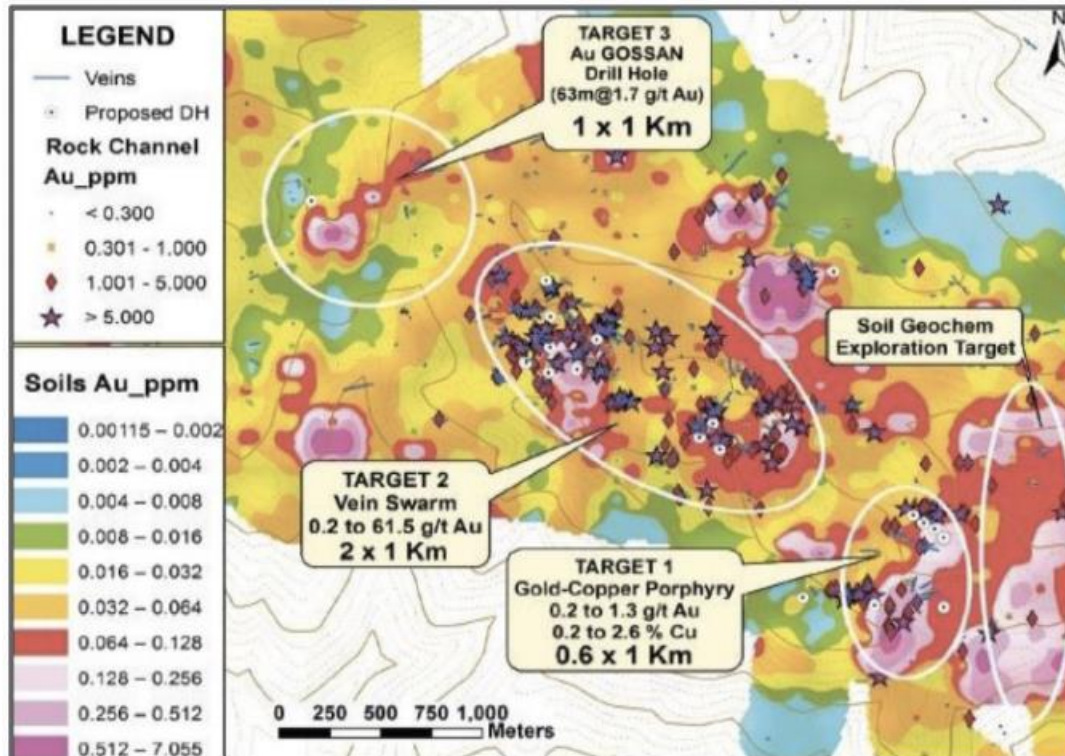


Seven large gold/copper systems over 50 km² including:

- El Huato - 3.5 km x 1.2 km vein/porphyry zone, 3.9m @ 61.5 g/t Au & 15m @ 2.9% Cu trenching.
- Ningomine - results ranged from 17 g/t Au to .1 g/t over widths of 2 to .2m
- Rio Catamayo - values of up to 2.15 g/t Au and 1.33% Cu over 18m of continuous sampling.
- El Palton - 19.07 g/t Au over .3m and 10.13 g/t Au over .5m.

Source: Company

Figure 11: Copper Duke Drill Targets



Source: Company

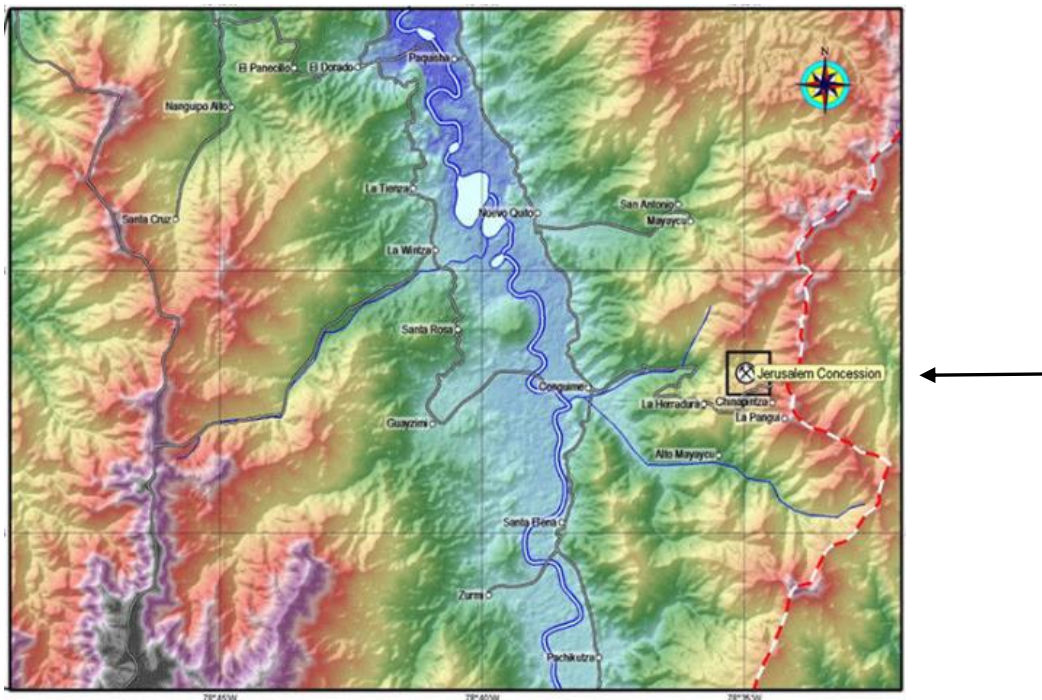
UPDATE: Ecuador’s Ministry of Mines has granted Core Gold an exploration permit for Copper Duke and the Company is now devising a Phase 1 15,000 metre drill program.

JERUSALEM GOLD PROJECT

Core Gold is also exploring the potential of its Jerusalem Gold Project, which is 100% owned by the Company. It comprises one concession covering 225 hectares, or about 2.2 square kilometres, in the Zamora Chinchipe province of south-eastern Ecuador. It is located approximately 40 km east of the town of Zamora, near the border of Peru. Altitudes on the concession range from 1400 metres to 1900 metres above sea level. The area is characterized by dense rain forest and steep terrain.

The district in which the Jerusalem Gold Project is located has been mined for gold by local artisanal miners since the mid-1980s. The gold mineralization that has been found on the concession is associated with an extensive high-grade polymetallic epithermal vein system.

Figure 12: Location of the Jerusalem Gold Project



Source: Company

In October 2014, the Company completed a NI 43-101 Technical Report on the Jerusalem property.

Figure 13: Jerusalem Gold Project Mineral Resource Estimate

		Gold	Contained	Silver	Contained
		Grade	Gold	Grade	Silver
<u>Category</u>	<u>Tonnes</u>	<u>(g/t)</u>	<u>(ozs)</u>	<u>(g/t)</u>	<u>(ozs)</u>
Measured	379,000	14.2	173,000	76	926,000
Indicated	576,000	13.5	249,000	81	1,495,000
Total M+I	955,000	13.8	422,000	79	2,421,000
Inferred	1,775,000	15.0	856,000	98	5,569,000

Note: A cut-off grade of 2.0 g/t was used to derive the mineral resource estimate

To date, Core Gold has not conducted any meaningful work on the property. Instead, the Company continues to hold the Jerusalem Gold Project in good standing.

INVESTMENT CONSIDERATIONS

A. Strengths

- New management took control of Core Gold in September 2016 and has undertaken a comprehensive overhaul of the Company's strategies and initiatives, with particular emphasis on tackling its financial challenges and focusing its operating activities.
- Core Gold has two producing gold assets, two exploration gold-copper assets, and a processing plant, all located in southern Ecuador.
- Ecuador is a mining-friendly country with an improving mining infrastructure.
- The two producing gold assets both have an existing NI 43-101 compliant Technical Report.
- The Company's primary focus is centered on its producing Dynasty Goldfield Project, which is Ecuador's first commercial open-pit gold mine. The Company intends to raise production throughout 2018 by increasing throughput via additional capacity at its Portovelo processing plant. Initial output shows very high gold grades with silver being a meaningful by-product.
- A three-year agreement with Green Oil S.A. has Green Oil required to fund initial mining capital expenditures at Dynasty Goldfield as well as fund ongoing working capital requirements in return for either 35% or 40% (see below) of refined gold sales and 10% of refined silver sales. This is for open-pit operations only, with Core Gold retaining all rights to underground mining activities on the Project.
- The Zaruma Gold Mine is on operational stand-by with a restart decision expected in 2018. The strategy, when implemented, offers additional opportunities for production gains.
- The Portovelo processing mill currently operates at an output of 750 tons/day. A US\$4 million expenditure program, to begin in late Q2/2018, is expected to increase output to 2,000 tons/day by Q1/2019.
- A recently-completed Private Placement should ensure that there are sufficient funds for Core Gold to continue its planned capital expenditure program in 2018.

B. Challenges

- The Company's market cap is only about \$36,000,000, with just over 133 million shares outstanding, plus there is fairly illiquid share trading (average 92,600 per day over the last 50 days and 118,000 over the last 200 days), all of which limits widespread institutional ownership;
- Core Gold has frequently raised new financing, which is often a challenge for junior mining companies. Although it is currently conducting a \$2.0 million private placement, it is likely the Company will require additional funds soon, maybe again in 2018.
- The Company's activities are still at a very early stage of exploration, and one property is currently on stand-by. Even with a successful drilling program, it will be years before the Company can advance from exploration to production.
- Although exploration prospects on the Company's properties are promising, future drilling may not yield expected positive results.
- In order to advance its mining activities, the Company will need to continue to raise funds, and/or may need to sell properties, and/or enter into joint venture relationships.

FINANCIAL STATEMENTS

The following tables have been updated to the present.

TABLE 1: SELECTED FINANCIAL INFORMATION – CORE GOLD INC.

(US\$000s)	Actual Year End <u>Dec 31/2014</u>	Actual Year End <u>Dec 31/2015</u>	Actual Year End <u>Dec 31/2016</u>	Actual Year End <u>Dec 31/2017</u>	Actual TTM <u>June 30/2018</u>	
Statement of Income (Loss)						
Operating Revenues	37,014	21,050	3,851	18,185	31,206	
Mining & Processing	<u>-28,523</u>	<u>-26,084</u>	<u>-10,465</u>	<u>-18,454</u>	<u>-26,730</u>	
Mining Profitability	8,491	-5,035	-6,614	-269	4,476	
General & Administrative ("Burn")	-4,513	-3,973	-4,130	-7,444	-8,097	
Non-Operating (Expenses)/Income	-1	-546	-601	-326	-568	
Non-Cash Items	-5,659	-6,607	-23,503	-14,241	-13,319	
Income Taxes	<u>-1,050</u>	<u>-835</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Net Profit/(Loss)	-2,731	-16,996	-34,848	-22,280	-17,508	
Total Shares Outstanding	42,461	46,707	87,829	114,136	133,778	
Weighted Average Shares O/S	42,461	43,833	59,065	95,383	110,129	
Net Profit/(Loss) Per Share	(\$0.06)	(\$0.39)	(\$0.59)	(\$0.23)	(\$0.16)	
Cash Flow Statement						
Net Profit (Loss)	-2,731	-16,996	-34,848	-22,280	-17,508	
Non-Cash Items	<u>5,659</u>	<u>6,607</u>	<u>23,503</u>	<u>14,241</u>	<u>13,319</u>	
Cash Flow from Operations	2,928	-10,389	-11,345	-8,039	-4,189	
Capital Expenditures (Capex: Props.)	-2,188	-1,900	-1,775	-228	-228	
Other Investing Items	<u>0</u>	<u>0</u>	<u>600</u>	<u>800</u>	<u>550</u>	
Free Cash Flow	740	-12,289	-12,520	-7,467	-3,867	
Working Capital Changes	<u>-2,071</u>	<u>4,596</u>	<u>7,503</u>	<u>2,180</u>	<u>-5,015</u>	
Cash Flow before Financing	-1,331	-7,693	-5,017	-5,287	-8,882	
Equity Financing	0	0	3,607	5,287	6,841	
Debt Financing	<u>-133</u>	<u>4,691</u>	<u>982</u>	<u>1,077</u>	<u>1,564</u>	
Change in Cash	-1,464	-3,002	-428	1,077	-477	
Cash, Beginning of the Period	4,914	3,450	448	20	986	
Cash, End of the Period	3,450	448	20	1,097	509	
Balance Sheet						
(US\$000s)	As at:	<u>Dec 31/2014</u>	<u>Dec 31/2015</u>	<u>Dec 31/2016</u>	<u>Dec 31/2017</u>	<u>June 30/2018</u>
Cash and Equivalents		3,450	448	20	1,097	509
Other Current Assets		4,843	4,310	2,420	2,118	3,172
Mineral Properties		47,074	42,419	19,873	21,002	19,463
Exploration Properties		15,497	14,421	15,303	0	0
Other Mining Assets		<u>306</u>	<u>158</u>	<u>205</u>	<u>228</u>	<u>332</u>
Total Assets		<u>71,170</u>	<u>61,756</u>	<u>37,821</u>	<u>24,445</u>	<u>23,476</u>
Accounts Payable		5,228	9,865	14,786	15,735	13,911
Other Current Liabilities		1,747	3,627	3,384	6,738	6,682
Long-Term Debt		0	1,233	2,458	0	0
Other Long-Term Liabilities		2,047	368	715	2,960	3,580
Shareholders' Equity		<u>62,148</u>	<u>46,662</u>	<u>16,478</u>	<u>-988</u>	<u>-697</u>
Total Liabilities & Equity		<u>71,170</u>	<u>61,756</u>	<u>37,821</u>	<u>24,445</u>	<u>23,476</u>
Book Value (S.E.) Per Share			\$1.00	\$0.19	(\$0.01)	(\$0.01)
Cash Per Share		\$0.08	\$0.01	\$0.00	\$0.01	\$0.00
Working Capital		1,318	-8,734	-15,730	-19,258	-16,912
Working Capital Ratio		1.19	0.35	0.13	0.14	0.18

Source: Company and eResearch

UPDATE: Table 1 above shows the short-term liquidity crisis that the Company was facing as of June 30, 2018. Current Assets amounted to \$3.68 million while Current Liabilities were \$20.59 million, a Working Capital shortfall of \$16.91 million. However, since then, the Company has shown excellent progress in resolving this financial predicament. Since June 30, we estimate that Core Gold has reduced its outstanding Account Payables by \$7.22 million because of resolving the Elipe situation (see next page). The current private placement could reduce the payables number further by up to \$2.0 million. See Recent Financings and Recent Financing Restructurings (next page).

UPDATE: Table 2 below shows the difficult liquidity situation that the Company has been in over the past three years. The years 2015 and 2016 show cash outflows greatly exceeded cash inflows. 2017 was better with the Company being successful in raising considerable amounts of both equity and debt. At the same time, mining losses were greatly reduced. Shown in the far-right column are the liquidity items for the last six months.

TABLE 2: LIQUIDITY

(US\$000s)	Actual Year End <u>Dec 31/2014</u>	Actual Year End <u>Dec 31/2015</u>	Actual Year End <u>Dec 31/2016</u>	Actual Year End <u>Dec 31/2017</u>	Actual TTM <u>June 30/2018</u>	Actual 6 Months <u>June 30/2018</u>
Cash, Beginning of the Period	4,914	3,450	448	20	986	1,097
<u>Additions to Cash</u>						
Mining Operations: Profit	8,491	0	0	0	4,476	776
Equity Financing	0	0	3,607	5,287	6,841	2,849
Debt Financing	0	4,691	982	1,077	1,564	1,555
Investing Items	0	0	600	800	550	0
Other Items	<u>-1,050</u>	<u>-1,382</u>	<u>-601</u>	<u>-326</u>	<u>-568</u>	<u>-454</u>
TOTAL CASH CONTRIBUTIONS	7,441	3,310	4,588	6,838	12,863	4,726
<u>Subtractions from Cash</u>						
Mining Operations: Loss	0	-5,035	-6,614	-269	0	0
General & Administrative ("Burn")	-4,513	-3,973	-4,130	-7,444	-8,097	-2,203
Capital Expenditures (Capex: Props.)	-2,188	-1,900	-1,775	-228	-228	0
Debt Repayment	<u>-133</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL CASH SUBTRACTIONS	-6,833	-10,907	-12,519	-7,941	0	-2,203
DIFFERENCE	608	-7,597	-7,931	-1,103	4,538	2,523
Working Capital Changes	<u>-2,071</u>	<u>4,596</u>	<u>7,503</u>	<u>2,180</u>	<u>-5,015</u>	<u>-3,111</u>
Change in Cash	-1,464	-3,002	-428	1,077	-477	-588
Cash, End of the Period	3,450	448	20	1,097	509	509

Source: eResearch

Although there are other items (e.g., assets sales) that also contribute, the above are the main components of Shareholders' Equity, whose alarmingly declining numbers are as follows:

	Actual Year End <u>Dec 31/2014</u>	Actual Year End <u>Dec 31/2015</u>	Actual Year End <u>Dec 31/2016</u>	Actual Year End <u>Dec 31/2017</u>	Actual TTM <u>June 30/2018</u>
Shareholders' Equity (US\$000s)	62,148	46,662	16,478	-988	-697

<continued>

RECENT FINANCINGS

Set out on the following page is a table of outstanding warrants and options. The financings mentioned in the first two items below are included in the warrants/options table, but the third item is not.

1. April 2 – May 29, 2018

The Company raised C\$3,305,400 in a three-tranche private placement by issuing 11,017,971 units comprising 1 common share and ½ warrant exercisable for a two-year period at C\$0.45 per share.

2. May 15, 2018

The Company granted 250,000 options at C\$0.31 per share for 5 years.

3. September 5, 2018

The following issuance has NOT been included in the subsequent tables because the private placement is not expected to close until at least September 28, 2018.

Core Gold has announced a private placement financing of 6,666,666 units at C\$0.30 per unit comprising 1 common share and ½ warrant exercisable at C\$0.45 for 2 years. If fully subscribed, the Company will raise C\$2,000,000 to be used for general corporate purposes.

RECENT FINANCING RESTRUCTURINGS

1. September 4, 2018

The Company announced that it and Accendo Banco (formerly Investa Bank S.A.) have agreed to “exercise their best efforts” to conclude the arrangement of a senior debt facility of up to US\$15 million that was previously announced in December 2017 and updated in May 2018. Administrative difficulties surrounding this facility have been considerably lessened with the successful emergence of Elipe S.A. from liquidation (see below).

2. September 4, 2018

Elipe S.A., Core Gold’s Ecuadorian subsidiary, was restored to “corporate good standing” by Ecuador’s government, and is no longer in “liquidation” mode. As a result, Core Gold regains total control of all of Elipe’s operations, and the Company is relieved of its payment plan contract that totalled \$14.37 million, of which \$7.95 million had been paid.

3. September 17, 2018

Core Gold announced that it has successfully restructured its debt obligations to two mutual fund subsidiaries of Vertex One Asset Management Inc. in the amount of US\$2,500,000. A combination of Promissory Notes and Convertible Notes for that total was due for repayment on September 15, 2018. These obligations have been deferred to December 31, 2018.

TABLE 3: WARRANTS and OPTIONS as at June 30, 2018; C\$

NOTE: Exercise Price is in Canadian currency.

WARRANTS

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Status</u>	<u>Potential Equity</u>	
3,000,000	\$0.15	15-Sep-2018	In-the-Money	\$450,000	Expired
750,000	\$0.33	3-Apr-2019	Out-of-the-Money	\$247,500	
250,000	\$0.35	25-Apr-2019	Out-of-the-Money	\$87,500	
800,000	\$0.365	25-Apr-2019	Out-of-the-Money	\$292,000	
2,967,000	\$0.45	30-Jun-2019	Out-of-the-Money	\$1,335,150	
1,642,000	\$0.45	14-Jul-2019	Out-of-the-Money	\$738,900	
811,000	\$0.45	3-Aug-2019	Out-of-the-Money	\$364,950	
1,277,000	\$0.45	5-Sep-2019	Out-of-the-Money	\$574,650	
1,016,000	\$0.45	15-Sep-2019	Out-of-the-Money	\$457,200	
1,790,000	\$0.45	13-Oct-2019	Out-of-the-Money	\$805,500	
1,582,000	\$0.45	18-Dec-2019	Out-of-the-Money	\$711,900	
2,066,000	\$0.45	28-Dec-2019	Out-of-the-Money	\$929,700	
3,761,000	\$0.45	1-Feb-2020	Out-of-the-Money	\$1,692,450	
2,706,000	\$0.45	2-Apr-2020	Out-of-the-Money	\$1,217,700	
2,255,000	\$0.45	4-May-2020	Out-of-the-Money	\$1,014,750	
<u>548,000</u>	\$0.45	29-May-2020	Out-of-the-Money	<u>\$246,600</u>	
27,221,000				\$11,166,450	

Current Price: \$0.27

OPTIONS

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Status</u>	<u>Potential Equity</u>	
1,000,000	\$0.64	16-Jul-2018	Out-of-the-Money	\$640,000	Expired
1,353,000	\$0.92	21-Nov-2019	Out-of-the-Money	\$1,244,760	
6,075,000	\$0.23	7-Dec-2021	In-the-Money	\$1,397,250	
3,525,000	\$0.30	27-Feb-2023	Out-of-the-Money	\$1,057,500	
<u>250,000</u>	\$0.31	15-May-2023	Out-of-the-Money	<u>\$77,500</u>	
12,203,000				\$4,417,010	

Source: Company and eResearch

MINING IN ECUADOR

Information courtesy of Wikipedia:

Mining had a very small impact on the Ecuadorian economy in the 1980s, contributing only 0.7% to GDP in 1986 and employing around 7,000 people. Minerals were located in regions with little to no access, thus exploration activities were hindered. However, Gold, which was largely forgotten since its early exploitation in the sixteenth century, regained momentum in the 1980s. Ecuador was exporting 2.4 tons per year by 1987, which was mostly discovered in the southern Sierra region, as well as the southeastern province of Zamora-Chinchipec. In 1985, Ecuador passed a new law to encourage foreign exploration and investment. Designed to simplify regulation of the industry, the legislation offered higher financial incentives and lower taxation for investors, while also establishing the Ecuadorian Institute of Minerals. Policies during President Rafael Correa's first six years in office (2007-2012) slowed mining activity, despite his plans to develop the industry such that, by 2012, Ecuador received less foreign direct investment per person than any other country in Latin America. However, a new mining law was passed in 2013, which made Ecuador much more lucrative for foreign investors. The new law imposed an 8% ceiling on previously open-ended royalties, and streamlined the permits required. Companies do not pay windfall taxes until they have recouped their investments.

ECUADOR MINING LEGISLATION

The following information on Ecuador's mining regulations is taken from the Company's website:

On April 18, 2008, Ecuador's Constitutional Assembly passed a Constituent Mandate resolution (the "Mining Mandate"), which provided, among other provisions, for the suspension of mineral exploration activities for 180 days, or until a new Mining Law was approved. In January 2009, the new Mining Act was published. In November 2009, the regulations and procedures to operate under the new Mining Act were signed by the President of Ecuador and published in the Official Registry, after which time the new Mining Act and Regulations (collectively, the "Mining Law") were enacted. The Mining Law was further amended in July 2013 to distinguish between small, medium and large scale operations. The Mining Law provides that operations mining up to 300 tonnes of mined material per day on any individual concession may be categorized as a Smaller Scale Operation and are required to pay a fixed royalty of 3%; operations mining between 301 and 1,000 tonnes of mined material per day on any individual concession may be categorized as a Medium Scale Operation and are required to pay a fixed royalty of 4%; and operations mining in excess of 1,000 tonnes of mined material per day on any individual concession are categorized as Large Scale Operations and are required to enter into an exploitation contract with the government which sets out specific terms and conditions of the particular operation, including the royalty between 5% and 8% and the application of a windfall tax.

To date, five concessions at the Company's Zaruma Gold Mine were qualified as and granted small scale mining licenses. This means that the Company is now able to mine 300 tonnes per day from each of these concessions, or 1,500 tonnes per day in aggregate, subject to a fixed 3% royalty and no windfall tax. The five concessions for which the Company elected to apply for the small scale operation licenses are the focus of the Company's current mine development plans at the Zaruma Gold Mine, being the five concessions currently being accessed by the Company's declines and containing a significant amount of the Company's resource at the Zaruma Gold Mine.

The Company may apply for additional small scale operation licenses for other concessions at Zaruma in the future based on its mine development plans; however there can be no assurance that these applications will be successful. Under the terms of the Mining Law, the Company's other projects (being the Jerusalem Project and the Dynasty Copper-Gold Project) may be required to enter into exploitation contracts with the Ecuadorian government if the projects are advanced into the production phase in the future.

MANAGEMENT and DIRECTORS

The following information on the Company's management and directors was taken from the Company's website. <https://www.coregoldinc.com/>

1. Management

Keith Piggott, President & Chief Executive Officer, Director



Keith Piggott initially gained experience by developing innovative mining systems in the copper & cobalt mines of Zambia. Mr. Piggott then operated an exploration company in Australia and Papua New Guinea, identifying the gold cap of the Ok Tedi copper ore body, which was then dealt to BHP, which recovered two million ounces of gold in the first three years of production. Over the past 30 years, he has started and produced (mostly through companies that he has controlled) numerous gold/silver, tin, tungsten, rutile/zircon open pit and heap leach mines in Australia and Mexico, utilizing innovative technology to maximize profits. He sold his Australian operations in 1987 to concentrate on developing metallurgical technologies, one of which is a patented dry processing for heavy minerals, and widely used today in Australia and Mexico. For the last twelve years, he has focused on gold production in Mexico and on exploration opportunities for near-term gold/silver production in Mexico and Latin America. He has launched two Mexican gold mines which have each been in continuous production for twelve and five years, respectively. Mr. Piggott graduated in Mining Engineering from the Camborne School of Mines in the U.K. and from the Executive Development Program at the London Business School.

Sam Wong, Chief Financial Officer

Sam Wong is also currently the Chief Financial Officer of Chesapeake Gold Corp. He was also previously the Chief Financial Officer of Goldgroup Mining Inc., where he significantly decreased the cost of and debt level through various cost cutting and restructuring initiatives. Prior to that position, Mr. Wong was the Corporate Controller at Luna Gold Corp. where he oversaw the finance division during Luna's transition from development through to commercial production. Mr. Wong is a Chartered Accountant and articulated at Deloitte & Touche LLP in Vancouver, BC where he specialized in assurance and advisory for mining companies.

2. Directors

Gregg J. Sedun, LLB, Lead Director

Gregg Sedun is an independent venture capital professional based in Vancouver, Canada with 27 years of mining & industry-related finance experience. Upon graduation, he practiced corporate finance/securities & mining law in Vancouver until retiring from law in 1997. Thereafter, he founded two private venture capital firms, including Global Vision Capital Corp., where he continues to carry on venture capital investing as President & CEO. Mr. Sedun has been involved as a director and/or founding shareholder in a number of successful companies including Diamond Fields Resources Inc. (Founding Director) which was acquired by Inco in 1996; Adastra Minerals Inc. (Founding Director) which was acquired by First Quantum Minerals in 2006; and Peru Copper Inc. (Founding Shareholder), which was acquired by Chinalco in 2007. Mr. Sedun currently serves on the Board of Directors of several publicly-listed natural resource companies.

(continued)

Javier Reyes, Independent Director

Javier Reyes began his professional and financial services career in 1996 at a well-known brokerage firm in Mexico City. In 2001, he founded a financial consultancy company, where he became the CEO. Mr. Reyes is the Founder, President and Chief Executive Officer of the Antares Capital Management and Cygnus Asset Management, and manages three hedge funds: Antares Capital Fund, Antares Oil & Gas Fund and Cygnus Real Estate Opportunity Fund. Mr. Reyes currently holds the following positions: President of Credipresto, S.A. de C.V. ENR. (since 2007) and President of Mex e Trade Asesores, S.C. (since 2004). Mr. Reyes holds a Bachelor's Degree in Economics and Business Administration and also holds a Masters in Finance.

Leonard Clough, Independent Director

Leonard Clough is President of Toro Pacific Management Inc., a private investment company with holdings in telecommunications, parking management, and mining. He recently accepted the role of President and Director of Terastream Broadband, an international wireless broadband provider focusing on underserved rural markets. From 2012 to 2015, Mr. Clough served as CEO & Chairman of Standard Tolling Corp. and, from 1998 to 2010, he was partner of Cooper & Clough Asset Management Group at RBC Dominion Securities. Mr. Clough received an undergraduate degree from the University of British Columbia.

Mark Bailey, MSc., P. Geo.

Mark Bailey holds a Master's degree in geology, is a registered professional geologist with over 39 years' experience, and was President & CEO of TSX-listed Minefinders Corporation Ltd. from 1995 to its sale in 2012. While with Minefinders, he was responsible for the discovery and development of resources totaling more than 3 million ounces of gold and 165 million ounces of silver as well as the eventual sale of the company to Pan American Silver Corp. in 2012. Prior to his tenure with Minefinders, Mr. Bailey held senior positions with Equinox Resources Inc. and Exxon Minerals. He is presently a director of Entree Gold and Northern Lion and owner of M.H. Bailey & Associates LLC, a consulting geology company.

Keith Piggott, (see previous page)

Shareholdings

Officers and Directors own or control, directly or indirectly, approximately 24% of the issued and outstanding common shares of the Corporation. The only known shareholder with more than the required admission holding of 10.0% is Robert Washer with 11.3%, and who holds title to the shares through Cinergy Capital Corp. (9,731,284 common shares) and Valorium International Inc. (5,348,784 common shares). The President/CEO holds an approximate 9.3% interest.

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