



President's Letter to Compass Gold Shareholders

May 21, 2019

Dear Shareholders,

Since my last letter went out in early February, we have made significant progress on several fronts. Exciting drill results have generated a big increase in market interest in our Sikasso properties, particularly at the large and impressive Farabakoura target zone. These results helped support our successful Private Placement in late April, when we raised more than \$2.7 million, primarily from our existing shareholder group, but also from a handful of new "strategic" partners.

With ample funding to explore aggressively for the rest of this year and into 2020, Dr. Madani Diallo and his team set out to prioritize our fieldwork. They reviewed more than 40 high-quality targets identified by the extensive work conducted in 2018 and completed at the end of February of this year. The result was a 'three-pronged' campaign focusing on artisanal workings at Farabakoura-Kabangoué, Sodala, and on the nine workings on the Yanfolila South block. These are all large zones with excellent indications of gold mineralization.

We have recently completed the first stage of reverse circulation drilling at Farabakoura, roughly 2,000 metres, and we are launching an additional 3,000-metre program, which is due to be completed before the rainy season begins.

All of this activity and the related technical data have been thoroughly reported in a dozen press releases, as well as in our first shareholder conference call in early April. I have also met and spoken directly with dozens of Compass shareholders about our work, results, and objectives for the remainder of the year. While we have attracted the interest of many new and prospective shareholders through the financing and reporting process, we remain a relatively small, closely held company. Compared to most of our peers in the gold exploration space, we still have a small number of shares outstanding, (about 39 million post- financing) and we estimate roughly 80% of those shares are held by fewer than 100 shareholders.

In this note, rather than repeating the content of all of those conversations or our press releases, I will offer you some insight into our strategic thinking about the opportunities and challenges we are tackling in the coming months.

At the **country level**, Mali continues to navigate the turbulent waters of providing security, health and economic prospects for its nearly 20 million citizens, while at the

same time confronting a complicated militant presence in the northern territories. We have been watching these developments for years. International forces, including from Canada, have been helping Mali grapple with this issue, which is not isolated in Northern Mali but spans the broad borderless region of the Sahel.

Recently, President Keita accepted the resignation of Prime Minister Maiga and his Cabinet in response to criticism that the government was not doing enough to combat the jihadist groups who seemed to be fomenting conflicts along tribal lines. We see this change as a clear statement that, for this government and the Malian population, security and stability remain the top priorities. While we have seen no practical impact from these disturbances on our team or its work in Mali, we will always monitor the best information and keep safety and security at the forefront of everything we do.

On the economic front, mining continues to grow in importance for the country. Although production at certain mines like the Iamgold mine at Sadiola is closing, other mines, like the Canadian B2Gold operations, are expanding to fill the gap and maintain Mali's position as Africa's third largest Gold producing country.

**Regionally**, in Southern Mali, the gold explorers, developers, and producers continue to flourish. Investment, construction, and infrastructure are advancing, and as the holder of a major land position in the heart of this region, Compass will continue to benefit from the proximity to essential resources and services. One example is our recent engagement with Capital Drilling as our drilling contractor. Capital is a London-listed public company with global operations. In Mali and surrounding countries, they are actively working with both producing mines and exploration companies. They are building a strong profile in Mali through investments in local training and the creation of a large operation base in Bamako, just a two-and-a-half-hour drive north of our properties. Capital Drilling brings sufficient experience and resources to be a 'strategic partner' for companies in Mali. It is worth noting that Capital has made a commitment to our future success with a \$250,000 investment in the recent Private Placement. We believe that this approach of aligning partners to our success makes good sense, particularly in this part of the world where sound relationships are critical.

At our **Sikasso property**, we are honing in on three major target zones: Farabakoura-Kabangoué, Sodala and the Yanfolila South block. Although these targets have already yielded exciting results, there is much work left to be done, and it is important that our shareholders understand not just 'what' we are doing, but also the 'how' and 'why'.

Even though these three areas are just a small part of our total land package of about 850 km<sup>2</sup>, they still represent a very large surface area. As a small company, we need to be careful with our precious exploration funds. Rather than a 'checkerboard' of drill holes every 50 metres, costing several million dollars, we need to take a patient and precise approach, testing structure and geological theory at every step.

Yes, we want to find a large deposit, and it is exciting when the drill results produce exceptional grades and widths of gold mineralization. However, we also need to gain an understanding of the rock types, structures and trends that are most likely to host the kind of large gold systems that our drill holes are telling us are down there. Therefore, every drill hole, soil sample and ground geophysics survey helps to fill in the pieces of the puzzle, taking us one step closer to the major discovery we are pursuing.

A second aspect of our exploration approach has been on full display these past few months. We have talked about the decades of experience our team possesses. With that experience comes the understanding that discovery comes from discipline and patience. We know that our view of what the Sikasso Property holds, sometimes hundreds of feet below the surface, will evolve and come into better focus with each wave of drilling and analysis. We want our shareholders to know what results we are getting, but more importantly, we want you to know how we view the significance of the results and what they mean in terms of what we do next. We can't control the expectations created in the market by any single set of results, but we can explain what our expectations are based on those results and why. In doing so, we are taking the time to provide the information that supports an informed shareholder group which fully understands our objectives and the steps we need to take in order to achieve them.

Turning to **North America and the 'markets'**, I will leave the macro analysis and predictions to those of you much more knowledgeable than am I. As for gold and gold exploration, we have seen something of a 'spring awakening' in mining finance, (not to be confused with spring weather, which in Canada, has been seen only rarely so far). Even with the recent increase in Canadian mining finance deals, Compass' recent Private Placement stands out as one of the very few that was over-subscribed and subsequently increased. I can tell you that once the financing was announced, we received interest from several potential investors who were either small institutions or large net worth mining investors who would typically be investing at least \$250k. Because our Board and Management wanted to avoid share dilution beyond what could be reasonably required for exploration in the following year, we were not able to offer a position to most of those larger investors. We also wanted to accommodate pre-existing shareholders as far as possible while taking in some investment from a selective group of new shareholders who could bring strategic value to Compass in the coming year and beyond.

Although not all interested investors could participate in the financing, many went into the market to buy shares where trading demand was significant. Clearly, the profile of Compass Gold in the market place has become elevated far beyond our list of roughly 50 participants in the November 2017 financing.

Since the financing, we continued to see increased trading activity. While I cannot decipher in any detail the reasons and expectations that go into the share trading we see on our screens, I can say that the conversations I have had with shareholders have

been exclusively about their intention to buy rather than sell more shares. I would also confirm that all insiders, both Directors and Management have only been purchasers of our shares.

Finally, as our results and upcoming programs have generated increased interest in the market place, we are seeing more research notes, articles and interview requests. While the vast majority of our financial resources will still be invested into our exploration programs on the ground at the Sikasso Property, we are actively building a broader awareness of Compass gold among prospective investors.

Later this week I will be attending and speaking at The Metals Investor Forum in Vancouver, which features select companies invited by a high-level group of independent mining newsletter writers, including Gwen Preston, The Resource Maven. Gwen recently published a detailed note on Compass and was one of the new shareholders in our financing. In early June, I will be in New York for the 121 Mining Investment Conference. At the end of June, we will be hosting our Compass AGM on the afternoon of Tuesday June 25<sup>th</sup> in Toronto. We are hoping that Dr. Madani Diallo will be able to travel to Toronto about that time so that interested shareholders could have the opportunity to speak with him directly about the work in the field and his views on the on-going results. Further details will be circulated closer the date of the AGM.

As always, we appreciate the support and interest from all of our shareholders. We look ahead to this next phase of exploration with great anticipation at Farabakoura-Kabangoué, Sodala, and the Yanfolila South block, and look forward to sharing the results of this work with you as they become available.

Sincerely,

*Larry Phillips*  
President and Chief Executive Officer

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