

12 February 2021

**SolGold plc**  
("SolGold" or the "Company")

## **Half-Yearly Financial Report Quarterly MD&A Filed in Canada**

The Board of SolGold (LSE and TSX code: SOLG) is pleased to advise all shareholders and interested investors of the release of the Company's interim financial results for the half year ended 31 December 2020. The interim financial report is included as part of this announcement.

Further, the Board advises shareholders and interested investors that the Company's website also contains access to additional information required to be filed on SEDAR in Canada in connection with the Company's quarterly financial period ended 31 December 2020. This additional information is available in the **Financial Reports** section of the **Investor Centre** on the Company's website: [www.solgold.com.au](http://www.solgold.com.au)

By order of the Board  
Karl Schlobohm  
Company Secretary

### **Market Abuse Regulation (MAR) Disclosure**

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of the Regulation (EU) No 596/2014 until the release of this announcement.

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**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL  
STATEMENTS**

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

## **CORPORATE INFORMATION**

### **DIRECTORS**

Liam Twigger (Non-Executive Chair)  
Nicholas Mather (Executive Director)  
Brian Moller (Non-Executive Director)  
James Clare (Non-Executive Director)  
Jason Ward (Executive Director)  
Elodie Grant Goodey (Non-Executive Director)  
Kevin O’Kane (Non-Executive Director)  
Keith Marshall (Non-Executive Director)  
Maria Amparo Alban (Non-Executive Director)

### **COMPANY SECRETARY**

Karl Schlobohm

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## OPERATIONS REPORT

The Directors present their report on the Company and its controlled entities for the half year ended 31 December 2020. SolGold plc is a public limited company incorporated in England and Wales.

### DIRECTORS

The names of the Directors in office at any time during or since the end of the period are:

Brian Moller (Non-Executive Director)  
Nicholas Mather (Executive Director)  
Robert Weinberg (Non-Executive Director) – retired 17 December 2020  
Craig Jones (Non-Executive Director)  
James Clare (Non-Executive Director)  
Liam Twigger (Non-Executive Director)  
Jason Ward (Executive Director)  
Elodie Grant Goodey (Non-Executive Director) – appointed 17 July 2020  
Kevin O’Kane (Non-Executive Director) – appointed 21 October 2020  
Keith Marshall (Non-Executive Director) – appointed 21 October 2020  
Maria Amparo Alban (Non-Executive Director) – appointed 21 October 2020

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

### PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the “Company”) and its subsidiaries (together “SolGold” or the “Group”) are exploration for copper, gold and other minerals in Ecuador, Solomon Islands and Queensland, Australia.

### REVIEW AND RESULTS OF OPERATIONS

The loss after tax for the Company for the half-year ended 31 December 2020 was US\$8,840,350 (31 December 2019 loss of US\$4,982,381).

#### Exploration Activities

##### *Ecuador*

#### ALPALA PROJECT

##### Project Overview

Location:	Imbabura province, Northern Ecuador
Ownership:	85%
Subsidiary:	Exploraciones Novomining S.A
Tenement area:	50 km <sup>2</sup>
Primary Targets:	Copper gold porphyry

The Alpala Project is located on the northern section of the prolific Andean Copper belt, renowned as the base for nearly half of the world's copper production. The project 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.

The project base is located at Rocafuerte in northern Ecuador, approximately three hours’ drive north of the capital Quito, close to water, power supply and Pacific ports. Having fulfilled its earn-in requirements, SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in ENSA which holds 100% of the Cascabel tenement covering approximately 50km<sup>2</sup>, and subject to a 2% net smelter return royalty held by Santa Barbara Resources Ltd which may be purchased for US\$4.0 million in two stages, the latest following a production decision. Following the preparation of a Feasibility Study by ENSA, Cornerstone, which currently holds a 15% interest in ENSA, will be obligated to contribute to the funding of ENSA.

During the six months ended 31 December 2020, the Group capitalised US\$24,599,115 of expenditure on the Alpala project.

Archaeological surveys were conducted for the installation of geotechnical platforms monitoring in the Chilluri sector. Socialization of the ENSA Environmental Management System was delivered to communities in the area of direct and indirect influence of the Cascabel concession.

Fifteen tonnes of organic fertilizer produced by the project's organic waste management system was provided to the

nurseries in the 1 Million Plants program and the Parambas community. A total of 36,743 native forest species produced in the 1M Reforestation program have been planted covering a total area of 15.59 hectares. 776 m<sup>2</sup> of intervened areas were rehabilitated in this period.

The Rocafuerte and Alpala camps were expanded to accommodate social distancing requirements, with additional accommodation facilities close to doubling the previous capacity.

### Exploration Drilling

A total of 257,319m of diamond drilling has been completed on the project, with 247,458m completed at the Alpala Deposit, 7,259m completed at the Aguinaga Deposit, 2,602m completed at the Tandayama-America Prospect and 1,300m completed on infrastructure geotechnical drilling and water monitoring wells.

Activities completed this quarter focussed on advancing data collection for feasibility study requirements, utilising up to 14 diamond drill rigs and included the following:

- Geotechnical testing for surface infrastructure.
- Geotechnical testing for capital underground mine design.
- Sterilisation drilling for surface infrastructure and underground mine design.
- Metallurgical sampling and test work.
- Hydrogeological & hydrogeochemical surveys and monitoring programs
- Hydrological drilling and surface water test work and monitoring programs.

### REGIONAL EXPLORATION PROJECTS

Based on the results of its initial exploration activities, 13 priority targets have been identified for second phase exploration in Ecuador. Ongoing exploration will continue to focus on advancing these priority projects, through geophysical surveys, mapping and detailed soil geochemistry, with a view to progress to drill testing as soon as permissions are in place.

Activities conducted on the priority projects are described in further detail below.

### CARNEGIE RIDGE RESOURCES S.A

#### Blanca Project

Location:	Carchi province, Northern Ecuador
Ownership:	100% Subsidiary: Carnegie Ridge Resources S.A
Tenement area:	4 concessions, 73 km <sup>2</sup>
Primary Targets:	Epithermal gold

#### Cerro Quiroz Prospect

The Blanca Project is located approximately 8km northeast of SolGold's flagship Alpala Project in Northern Ecuador. A man-portable drill rig has been operating at Cerro Quiroz since 3 October 2020, with a break in operation over the Christmas period due to COVID-19 related delays in assay turnaround time at the ALS Global assay laboratory in Peru. Drilling is planned to recommence in February 2021 with one drill rig for the foreseeable future, pending COVID-19 related protocols.

Hydrothermal breccia-hosted mineralisation encountered at Cerro Quiroz occurs coincident with anomalous molybdenum, copper, gold, silver and tellurium geochemistry. High grade narrow-vein epithermal gold and telluride mineralisation is conspicuous at the nearby Cielito Target, approximately 500m to the northeast.

Four diamond drill holes have been completed at the Blanca Project for a total of 2040.7m.

An initial 800.1m of drilling was completed in holes 1 and 2 (BDH-20-001 and BHD-20-002) at Cielito Prospect in September 2019. A second campaign commenced in October 2020 at the Cerro Quiroz Prospect, with a further 1,240.6m of drilling completed in Holes 3 and 4 (BDH-20-003 and BDH-20-004).

At the Cerro Quiroz Target, partial assays from Holes 3 and 4 at Cerro Quiroz indicate that hydrothermal breccia hosted gold targets may host significant gold, silver and zinc mineralisation over narrow intervals. Final assays for Holes 3 and 4 are expected during late February/early March.

An updated 3,000m planned drilling program for 2021 at Blanca Project is designed to test the extensively silicified topographic dome containing gold-bearing hydrothermal breccias at Cerro Quiroz Target, and strike potential along an identified 4000m length for high-grade narrow vein epithermal gold mineralisation including the Cielito vein system.

### *Cielito Prospect*

At the Cielito prospect, drilling tested narrow-vein gold-telluride lodes thought to be associated with large copper gold porphyry systems in the area. Due to the course nature of the gold encountered through drilling, a suite of check assay techniques were used to verify the gold assay results.

Final assay results received for drill holes 1 and 2 at Cielito Prospect returned:

- BDH-19-001: 0.27m @ 11.5 g/t Au from 97.1m depth., and
- BDH-19-002: 0.06m @ 61.9 g/t Au from 49.0m, and 0.15m @ 32.6 g/t Au from 286.9m.

Whilst gold grades were encouraging, the intersection widths did not provide sufficient encouragement to continue drill testing for narrow-vein high-grade gold mineralisation at the Cielito Prospect. This prospect maybe revisited in the future after more surface work.

### **Rio Amarillo**

Location: Imbabura province, Northern Ecuador  
 Ownership: 100% Subsidiary: Carnegie Ridge Resources S.A.  
 Tenement Area: 3 concessions, 123 km<sup>2</sup>  
 Primary Targets: Copper porphyry

The main geological feature of the Rio Amarillo Project is a cluster of preserved litho-cap zones at Palomar, Varela and Chalanés where porphyry style veining, copper-gold-molybdenum mineralisation and associated acid alteration were discovered through geological mapping, geochemical sampling and satellite imagery. The Varela lithocap area is highly visible from the air, as are a number of large porphyry deposits along the Andean Copper Belt that are now mines.

The main target areas at Varela, Florida, Palomar and Chalanés exhibit porphyry style surface mineralisation and alteration covering a vertical extent of up to 1500m over a 12km-long by 3km-wide northeast-trending, highly magnetic, porphyry belt. The major northeast trending magnetic belt is intersected by a secondary northwest-trending magnetic feature, likely to represent the intersection of two deep-seated crustal-scale fracture zones, later filled by intrusive bodies with magnetic characteristics indicative of strongly differentiated and mineralised systems. This structural regime has strong similarities to that encountered at the Alpala Deposit, located about 30km to the northwest.

The Rio Amarillo Project is located approximately 30km southeast of the Company's flagship Alpala Porphyry Copper-Gold-Silver Deposit, some 20km northwest of the provincial capital, Ibarra.

The regional position of the Rio Amarillo Project is geologically consistent with district scale distribution of porphyry deposits, with the Tier 1 Alpala (9.9 Mt Cu, 21.7 Moz Au, 92.2 Moz Ag) and Llurimagua (16.9 Mt Cu) deposit which is located just 60km away.

The Varela porphyry copper-gold target is characterised by a well-preserved metalliferous lithocap and hydrothermal alteration system with a full complement of porphyry plume chemical elements, the classic signature of a large scale strongly mineralised Porphyry Copper-Gold(-Molybdenum) system.

Significant upgrade of Varela Target (formerly Varela and Target#1 areas) through extensive recent field work that highlights strong similarities between Varela and Alpala Lithocap footprints and geochemical signatures.

Recent technical reviews have resulted in an upgraded initial 12,000m planned drilling program at the high-quality Varela porphyry copper-gold target, planned for commencement in Q2 2021. Completion of drilling platforms and core processing facilities in conjunction with expansion of camp, office and fuel storage facilities are underway in readiness for an upgraded initial 12,000m planned drilling program.

Commencement of drilling initially planned for November 2020 was delayed due to permitting and COVID-19 related delays resulting in further expansion of camp facilities to accommodate for isolation requirements which are now in place.

Drilling at Varela will test underneath outcropping porphyry style vein stockworks which returned surface rock-saw channel sample results of 99m @ 0.34% CuEq including 25.1m @ 0.58% CuEq.

### **HSEC**

Biotic and archaeological inspections were conducted to permit construction of the Varela camp and drilling rigs in the Rio Amarillo project.

## Supply and logistics

The Rio Amarillo camp was expanded with additional fuel storage facility and installation of an office and storage facilities in readiness for the drilling program which will commence once Ecuadorean elections are over.

## CRUZ DEL SOL S.A

### Helipuerto

Location: Morona Santiago province, south-eastern Ecuador

Ownership: 100% Subsidiary: Cruz Del Sol S.A.

Tenement Area: 4 concessions, 140 km<sup>2</sup>

Primary Targets: Porphyry & Epithermal Copper-gold

The project lies within the eastern Jurassic Belt, which contains the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara gold-(copper) porphyry deposit (8 million ounces Au).

Recent results reported from the nearby Warintza project (4km north east of the Helipuerto project) held by Solaris returned drilling results of 1,067m @0.6 CuEq from surface (Solaris Resources) along strike.

Technical teams recommenced reconnaissance work at Helipuerto Project in the form of field mapping, stream sediment sampling and rock chip sampling.

### La Hueca

Location: Zamora Chinchipe province, Southern Ecuador

Ownership: 100% Subsidiary: Cruz del Sol S.A.

Tenement area: 3 concessions, 160 km<sup>2</sup>

Primary Targets: Copper-gold porphyry

The La Hueca Project lies approximately 50km southeast of the 14Moz Fruta del Norte gold deposit in southern Ecuador.

A six-hole drilling program commenced on the 10th of August 2020 targeting Cu-Mo-Au soil geochemical targets, supported by geological mapping of outcropping porphyry style veining and alteration at Target#6. Three diamond drill holes were completed for a total of 1,558m. This program was targeting a Cu-Mo mineralised porphyry system. No significant assay results were received from the first 3 holes and the program was suspended to allow redirecting of the drilling rig to the priority Porvenir project.

Porphyry style propylitic and lesser intermediate alteration intersected in drilling suggests these first holes may occur proximal to a mineralised system. At least three additional areas of surface mineralisation are planned for drill testing in 2021 as La Hueca remains a priority target showing further potential as a copper gold porphyry discovery.

## GREEN ROCK RESOURCES S.A

### Porvenir

Location: Zamora Chinchipe province, Southern Ecuador

Ownership: 100% Subsidiary: Green Rock Resources S.A.

Tenement area: 4 concessions, 244km<sup>2</sup>

Primary Targets: Copper-gold porphyry

The Porvenir Project is located approximately 100km north of the Peruvian border, within Southern Ecuador.

The first drill hole PDH-20-001 at the Cacharposa prospect in Porvenir discovered a new highly mineralised copper-gold-molybdenum porphyry system, having returned a highly encouraging result of 928m @ 0.53% CuEq (0.39% Cu, 0.18g/t Au), including 644m @ 0.65% CuEq (0.47% Cu, 0.24g/t Au).

The Cacharposa porphyry copper-gold target is part of a 1,700m long northerly-trending mineralised corridor, up to 1,000m wide. The target is characterised by coincident Cu, Mo, Au and Cu/Zn soil anomalies that lie central to a zone of Mn-depletion in soil. Soil Molybdenum geochemistry shows a broad high nested within the magnetic feature and exhibits good inverse correlation with soil Manganese. RTP (Reduction to the Pole) magnetics exhibit a central magnetic high surrounded by an

annular magnetic low. These characteristics together are typical of numerous significant porphyry deposits globally, several of which have become mines.

Following the discovery of porphyry copper-gold mineralisation in the first drill hole at Cacharposa, two additional drilling rigs were mobilised to the site in late November and early December.

Final assays from Holes 1, 2, 3 and 4 at Cacharposa porphyry copper-gold target returned:

- Hole 1: 818m @ 0.45 % CuEq from surface, including 262m @ 0.71 % CuEq from surface.
- Hole 2: 818m @ 0.45 % CuEq from surface, including 262m @ 0.71 % CuEq from surface.
- Hole 3: 304m @ 0.58 % CuEq from surface, including 264m @ 0.65 % CuEq from surface.
- Hole 4: 934m @ 0.26% CuEq from 174m, including 272m @ 0.41 % CuEq from 234m.

An updated 25,000m planned drilling program for 2021 at Cacharposa is designed to test a mineralised corridor over a 1700m by 1000m area.

Archaeological inspections were performed resulting in authorisation to conduct geological activities within the Loyola Base Camp. The Company is also expanding the Cacharposa Camp facility allowing accommodation of up to 112 personnel. Additionally, at the Loyola camp, core logging areas have been expanded and field storage areas have been installed to facilitate the additional core throughput from the 2 new drill rigs that arrived on site during this period.

HSEC on site:

- Hazardous waste removed
- Archaeological inspections were performed resulting in authorisation to conduct geological activities within the Loyola camp
- Soil and noise monitoring before, during and after drilling
- Water treatment processes implemented to allow the resource to be recirculated during drilling to avoid discharges into the environment

#### **Chillanes**

Location: Bolivar/Chimborazo province, Central Ecuador  
 Ownership: 100% Subsidiary: Green Rock Resources S.A.  
 Tenement Area: 1 concession, 48 km<sup>2</sup>  
 Primary Targets: Copper-gold porphyry

The Chillanes project is located in the central Miocene belt that is host to several large epithermal and porphyry deposits including Quimsacocha and Junin. Stream sediment geochemical sampling has returned the highest copper results from any SolGold project in Ecuador with best results including 1,140 ppm Cu and 1,110 ppm Cu.

Social teams have been working with communities to ensure ongoing access to this project which and is progressing well.

#### **Timbara**

Location: Zamora Chinchipe province, Southern Ecuador  
 Ownership: 100% Subsidiary: Green Rock Resources S.A.  
 Tenement Area: 4 concessions, 152 km<sup>2</sup>  
 Primary Targets: Copper-gold porphyry

The Timbara Project is located in Ecuador's eastern Jurassic Belt which hosts the Fruta del Norte epithermal gold deposit (14 million ounces Au), the Mirador copper porphyry deposit (3 million tonnes Cu) and the Santa Barbara copper-gold porphyry deposit (8 million ounces Au). Results from the reconnaissance mapping and sampling have identified outcropping porphyry style mineralisation.

Two main styles of mineralisation have been recognised to date at the Timbara Project. An epithermal vein hosted gold and polymetallic system has been identified in the Timbara 2 concession. The mineralisation strikes over a 1km, hosted in a sulphidic quartz vein. A porphyry style prospect has also been identified in the Timbara 1 concession. A gridded geochemical soil program returned geochemical anomalies characteristic of mineralised porphyry copper-gold systems that is being followed up by technical teams.

Technical teams continued mapping and surface geochemical sampling of prospective areas during the reporting period to further delineate targets for future drill testing. Water quality monitoring conducted from six collection points and the hydrological study of the area and this information was delivered to the Ministry of the Environment.



### **Sharug Project**

Location:	Azuay province, Southwest Ecuador
Ownership:	100% Subsidiary: Green Rock Resources S.A.
Tenement Area:	2 concessions, 52 km <sup>2</sup>
Primary Targets:	Copper-gold porphyry

#### *Santa Martha Target*

At the Sharug Project, scout drilling applications are prepared for submittal ahead of planned drill testing of the Santa Martha porphyry copper-gold target. The Santa Martha Target is characterised by coincident Cu-Au-Mo soil geochemical anomalies centred upon an RTP magnetic low interpreted to represent magnetic destruction in association with significant surface alteration. An initial 3,000m drilling program is planned for mid-2021, following completion of operational facilities at the site.

### **Cisne Loja Project**

Location:	Loja province, Southern Ecuador
Ownership:	100%
Subsidiary:	Green Rock Resources S.A.
Tenement area:	3 concessions, 146 km <sup>2</sup>
Primary Targets:	Epithermal gold and silver, Porphyry copper gold

#### *Celen Target*

At the Cisne Loja Project, field geological, structural and alteration mapping in combination with soil and rock geochemical sampling have identified a 1000m x 750m zone of coincident Cu-Au-Mo soil geochemical anomalism centred upon an RTP magnetic high with an annular magnetic low. Field mapping has identified zones magnetite-chalcopyrite porphyry veining and diagnostic secondary copper minerals, neotocite, malachite and azurite within the target area. An initial 3,000m drilling program is planned for mid-2021, following completion of 3D geophysical and geochemical modelling, and the completion of the permitting processes for scout drilling.

### **Election Update in Ecuador**

The first round of the national elections in Ecuador took place on 7 February 2021, with 16 registered presidential candidates. At the time of writing (12 February 2021), 99.96% of valid voting ballots have been counted so far with Andrés Arauz from the Centro Democrático Party securing 32.70% of the votes for President. In second place is Guillermo Lasso from the Movimiento Creando Oportunidades (CREO) party with 19.74%, closely followed by Yaku Perez from the Movimiento Plurinacional Pachakutik party with 19.38%. With the remainder of voting ballots still to be counted/assigned to candidates, these numbers will change slightly and will possibly result in a manual re-count given the closeness of Yaku Perez and Guillermo Lasso. The National Electoral Council will announce the official results once the vote count and the legal processes established in the Law have been completed.

The general elections will move onto the second round of voting on 11 April 2021, to determine the president-elect. Voters will choose between Andrés Arauz and whoever is officially determined as runner-up to Mr. Arauz. The president-elect will then be sworn in on May 24, 2021.

Separately, the popular consultation on mining in Cuenca province took place on February 7, 2021 which resulted in the announcement that voters have backed the prohibition on mining activities close to water sources. The announcement was based on preliminary results, estimating that more than 80% of voters supported the initiative. The National Electoral Council in the province of Azuay said in a statement that it had reviewed 100% of votes. Ecuador's Constitutional Court approved the referendum in 2020, but noted that it would only affect future projects and would not affect current granted licenses.

### **Australia and Solomon Islands**

The Australian exploration program will continue to focus on target generation and project development through geological reconnaissance activities, planned geophysics surveys, modelling studies and drilling.

The Solomon Islands exploration program will continue to focus on community engagement and preparation for a drilling program at the Kuma Porphyry Copper-Gold target.

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## OPERATIONS REPORT (continued)

### **Equity**

On 12 November 2020, the Company issued 11,900,000 new ordinary shares at US\$0.42 to Gemstone 102 Ltd, a related party to Valuestone Global Resources Fund I, a North American private equity fund ("Valuestone").

### **Corporate**

The Group achieved several milestones during the half year ended 31 December 2020. These included:

#### **Exploration**

The Company commenced drilling at its 100%-owned Porvenir Project in southern Ecuador during the quarter. The first drill hole (PDH-20-001) at the Cacharposa prospect discovered a new highly mineralised copper-gold-molybdenum porphyry system. Mineralisation in Cacharposa Creek is part of the Cacharposa Trend, a 1700m long north-northeast trending mineralised corridor, up to 1000m wide, with scope for depth continuation of more than 600m. The mineralisation styles, size and geometry at Cacharposa are consistent with the surface exposure of a vertically extensive, well-preserved porphyry copper-gold system hosted in potassium-rich intrusions.

The Company also commenced drilling at the Tandayama-America prospect within the Cascabel concession where the first drill hole intersected strong visible chalcopyrite copper sulphide mineralisation within a quartz-diorite intrusion, highlighting the possibility of a new highly mineralised system.

#### **Private Placement**

The Company issued 11,900,000 new ordinary shares to Valuestone, a fund established by Jiangxi Copper Corporation (China's largest copper producer), CCB International Asset Management Ltd and the Valuestone management team, based in Canada. The proceeds of US\$4,800,000 will be used to advance the Company's 100% owned Porvenir Project in southern Ecuador and other highly attractive regional exploration activities.

#### **Board Appointments and Corporate Governance**

On October 21, 2020, SolGold appointed three Independent Non-Executives to the Board. These individuals are Mr Kevin O'Kane, Mrs Maria Amparo Alban and Mr Keith Marshall. These appointments are part of the Company's Corporate Governance enhancement program to ensure optimal Board governance as the Group transitions from explorer to explorer-developer. Details about the new Non-Executive directors can be found in the last MD&A.

Following the appointment of three new independent Directors, gender diversity on the SolGold Board has increased from 14% to 22% and the Company aims to continuously diversify and improve its Board and Management teams.

The Company announced the formation of the Alpala Committee. The Committee will actively participate in setting the development strategy, provide advice, support effective decision making and monitor the staged development to achieve agreed outcomes relating to the Alpala Project. Members of the Committee include Executive Directors, Non-Executive Directors and senior members of the management team.

During the reporting period, SolGold fully established its Health, Safety, Environment and Community (HSEC) Committee with its members consisting of three independent Non-Executive Directors. The Committee members are Elodie Grant Goodey (Chair), Jason Ward, Kevin O'Kane and Maria Amparo.

In addition to the HSEC Committee, further improvements were made to Board Committee structure as part of the wider Corporate Governance enhancement programme. Each Board Committee is now chaired by independent non-executive directors.

Dr. Robert Weinberg retired as Non-Executive Director at the Company's Annual General Meeting after an exemplary service of more than ten years of which the Company is extremely grateful.

The Company is committed to implement further Corporate Governance improvements during the course of 2021.

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## Annual General Meeting

The Company's Annual General Meeting ("AGM") was held on December 17, 2020. The AGM was a major event for the quarter and the Company was pleased to report that all Resolutions put to shareholders at the AGM were passed via poll, where the proxy votes received ahead of the meeting were combined with votes cast at the meeting. The Board and Management team was extremely grateful for all the shareholder support received.

Resolutions 13 and 14 were withdrawn at the meeting, therefore the Company will work closely with existing shareholders in financing the business during 2021, while continuing to assess alternative funding avenues.

## MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD

### *Leadership Succession*

On 19 January, 2021, CEO Nicholas Mather notified the Board of Directors that he will retire from the role. The Company has commenced a global executive search to identify and engage with candidates that have experience in base and precious metals exploration and the construction of large copper-gold porphyry mines in South America, development financing and executive corporate management. Mr Mather will step down effective 31 March 2021, after which Independent Non-Executive Director Keith Marshall will act as interim CEO until a new CEO is hired. Mr Mather intends to remain on the Board as a Non-Executive Director.

### *Central Government instruction – COVID-19*

With the new strain of virus present in Ecuador, the increase in cases from the holiday period and the determination by the national government to try to avoid hospitals being overwhelmed by serious cases the Ecuador National Emergency Committee on the 11th of January 2021 announced:

- Once again encourage all who can to work from home both in public and private businesses;
- Continue to prohibit large gatherings;
- Temporarily suspend the approvals issued earlier in January for some schools to open their doors again.

The repeated prevention advice to use masks, distance from others and avoid groups

### *Alpala Pre-Feasibility Study Update*

The Alpala Project Committee ("Committee"), chaired by Non-Executive Director Keith Marshall, has reviewed the work undertaken to date on the Alpala PFS and provided its recommendation to the Board on the next steps to progress the PFS to completion.

The Committee has determined that additional work is required to sufficiently address a number of mine development and metallurgical alternatives and potential upsides, including resource potential on other targets within the Cascabel concession.

On the basis of the report of the Committee, the Board of Directors has requested SolGold management to review both the current draft mine development plan and draft mine production plan, specifically:

- to examine an alternative mine access to accelerate the development of the cave;
- to examine the draft mine production plan with a view to ascertaining the optimum production rate, with the most likely scenario being a reduction of the previously contemplated mining rate but at higher grades from a reduced footprint in the early stages of operations;
- to study an optimised block cave footprint targeting higher grade material in the early stages, whilst maintaining expansion capabilities through plant and infrastructure addition strategies;
- to correspondingly optimise the capital cost and construction schedules of all related downstream milling, processing and tailings operations;
- to undertake a thorough re-assessment of all potential near-surface mining options at the Alpala Deposit, and
- to investigate the resource potential at satellite targets on the Cascabel concession, including Tandayama-America, Aguinaga and Moran.

Management is also investigating other options and scenarios to deliver further value, including adoption of dedicated hydro-power plants, and the improvement of metallurgical recoveries.

It is anticipated that this work will continue throughout 2021 and the publication of the PFS is not expected until Q4 2021. SolGold is confident that the additional time and work to complete the PFS is in the Company's best interest and will result in the publication of the best possible PFS.

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**Amended NI 43-101 Technical Report**

The Company filed an amended National Instrument 43-101 Technical Report on January 29, 2021 which supersedes all previous versions affiliated with the Alpala Project on the Cascabel Concession.

The Directors are not aware of any significant changes in the state of affairs of the Group or events after balance date that would have a material impact on the half year consolidated financial statements.

Signed in accordance with a resolution of the Board of Directors.

Nicholas Mather  
Executive Director  
Brisbane  
12 February 2021

**Qualified Person**

Information in this report relating to the exploration results is based on data reviewed by Mr. Jason Ward (B.Sc. Hons Geol.), the Chief Geologist of the Company. Mr. Ward is a Member 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.

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

## FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Three months ended 31 December 2020 US\$ (unaudited)	Three months ended 31 December 2019 US\$ (unaudited)	Six months ended 31 December 2020 US\$ (unaudited)	Six months ended 31 December 2019 US\$ (unaudited)
<b>Expenses</b>					
Exploration costs written-off	5	(903)	(22,953)	(2,048)	(27,235)
Administrative expenses	3	(2,244,952)	(1,791,642)	(4,214,345)	(4,562,753)
Share based payments expense		-	-	(47,377)	(76,625)
<b>Operating loss</b>		<b>(2,245,855)</b>	<b>(1,814,595)</b>	<b>(4,263,770)</b>	<b>(4,666,613)</b>
Other income		57,008	-	144,743	-
Finance income	3	111,419	119,329	222,243	290,802
Finance costs		(3,526,115)	(46,691)	(3,923,613)	(46,691)
Movement in fair value of derivative liability	3	(770,000)	207,933	(1,345,246)	207,933
<b>Loss before tax</b>		<b>(6,373,543)</b>	<b>(1,534,024)</b>	<b>(9,165,643)</b>	<b>(4,214,569)</b>
Tax (expense) benefit		(509,687)	(15,086)	325,293	(767,812)
<b>Loss for the period</b>		<b>(6,883,230)</b>	<b>(1,549,110)</b>	<b>(8,840,350)</b>	<b>(4,982,381)</b>
<b>Other comprehensive profit / (loss)</b>					
<i>Items that may be reclassified to profit and loss</i>					
Exchange differences on translation of foreign operations		620,734	295,953	916,673	(8,836)
<i>Items that will not be reclassified to profit or loss</i>					
Change in Ecuador pensions		(200,826)	(50,690)	(200,826)	(64,272)
Change in fair value of financial assets held at fair value		(522,995)	188,496	1,570,309	(1,783,740)
<b>Other Comprehensive (loss) / profit, net of tax</b>		<b>(103,087)</b>	<b>433,759</b>	<b>2,286,156</b>	<b>(1,856,848)</b>
<b>Total comprehensive (loss) / income for the period</b>		<b>(6,986,317)</b>	<b>(1,115,351)</b>	<b>(6,554,194)</b>	<b>(6,839,229)</b>
<b>Total comprehensive profit / (loss) for the period is attributable to:</b>					
Owners of the parent company		(6,962,775)	(1,099,720)	(6,500,722)	(6,806,912)
Non-controlling interest		(23,542)	(15,631)	(53,472)	(32,317)
<b>Total comprehensive (loss) / income for the period</b>		<b>(6,986,317)</b>	<b>(1,115,351)</b>	<b>(6,554,194)</b>	<b>(6,839,229)</b>
<b>Loss for the period attributable to:</b>					
Owners of the parent company		(6,859,688)	(1,533,479)	(8,786,878)	(4,950,064)
Non-controlling interest		(23,542)	(15,631)	(53,472)	(32,317)
<b>Loss for the period</b>		<b>(6,883,230)</b>	<b>(1,549,110)</b>	<b>(8,840,350)</b>	<b>(4,982,381)</b>
	Notes	Three months ended 31 December 2020 Cents (unaudited)	Three months ended 31 December 2019 Cents (unaudited)	Six months ended 31 December 2020 Cents (unaudited)	Six months ended 31 December 2019 Cents (unaudited)
Basic earnings per share	4	(0.3)	(0.1)	(0.4)	(0.3)
Diluted earnings per share	4	(0.3)	(0.1)	(0.4)	(0.3)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

**AT 31 DECEMBER 2020**

		31 December 2020 US\$ (unaudited)	30 June 2020 US\$ (audited)
	Notes		
<b>Assets</b>			
Property, plant and equipment		15,821,664	14,940,988
Intangible assets	5	267,350,715	230,256,153
Financial assets held at fair value through OCI	6	6,159,344	4,119,179
Loans receivable and other non-current assets	7	1,386,937	7,702,969
<b>Total non-current assets</b>		<b>290,718,660</b>	<b>257,019,289</b>
Other receivables and prepayments		7,098,333	2,883,916
Loans receivable and other current assets	7	6,838,677	-
Cash and cash equivalents		91,155,242	46,895,243
<b>Total current assets</b>		<b>105,092,252</b>	<b>49,779,159</b>
<b>Total assets</b>		<b>395,810,912</b>	<b>306,798,448</b>
<b>Equity</b>			
Share capital	11	29,438,090	29,281,511
Share premium	11	357,965,028	353,220,481
Other reserves		39,748,510	38,331,650
Accumulated loss		(141,392,042)	(133,331,591)
Foreign currency translation reserve		(4,099,205)	(5,015,878)
Equity attributable to owners of the parent company		281,660,381	282,486,173
Non-controlling interest		(551,611)	(498,139)
<b>Total equity</b>		<b>281,108,770</b>	<b>281,988,034</b>
<b>Liabilities</b>			
Trade and other payables		8,891,525	6,060,192
Lease Liability	8	394,123	314,524
Borrowings	10	-	15,248,303
<b>Total current liabilities</b>		<b>9,285,648</b>	<b>21,623,019</b>
Lease Liability	8	764,771	875,141
Other financial liabilities	9	3,657,500	2,312,254
Borrowings	10	100,994,228	-
<b>Total non-current liabilities</b>		<b>105,416,499</b>	<b>3,187,395</b>
<b>Total liabilities</b>		<b>114,702,147</b>	<b>24,810,414</b>
<b>Total equity and liabilities</b>		<b>395,810,912</b>	<b>306,798,448</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Share capital	Share premium	Financial assets held at fair value through other comprehensive income	Share based payment reserve	Foreign currency translation reserve	Other Reserves	Accumulated losses	Total	Non-controlling interests	Total Equity
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Balance 30 June 2019 (audited)</b>	<b>26,402,424</b>	<b>297,375,959</b>	<b>3,374,413</b>	<b>36,816,313</b>	<b>(4,876,593)</b>	<b>(105,893)</b>	<b>(120,342,688)</b>	<b>238,643,935</b>	<b>(442,364)</b>	<b>238,201,571</b>
Loss for the period	-	-	-	-	-	-	(4,950,064)	(4,950,064)	(32,317)	(4,982,381)
Other comprehensive income for the period	-	-	(1,783,740)	-	(8,836)	(64,272)	-	(1,856,848)	-	(1,856,848)
Total comprehensive income for the period	-	-	(1,783,740)	-	(8,836)	(64,272)	(4,950,064)	(6,806,912)	(32,317)	(6,839,229)
New share capital subscribed	995,226	18,456,842	-	-	-	-	-	19,452,068	-	19,452,068
Share issue costs	-	(4,390)	-	-	-	-	-	(4,390)	-	(4,390)
Options expired	-	-	-	-	-	-	-	-	-	-
Value of options issued to employees and consultants	-	-	-	76,625	-	-	-	76,625	-	76,625
Loss for the period	-	-	-	-	-	-	(4,950,064)	(4,950,064)	(32,317)	(4,982,381)
<b>Balance 31 December 2019 (unaudited)</b>	<b>27,397,650</b>	<b>315,828,411</b>	<b>1,590,673</b>	<b>36,892,938</b>	<b>(4,885,429)</b>	<b>(170,165)</b>	<b>(125,292,752)</b>	<b>251,361,326</b>	<b>(474,681)</b>	<b>250,886,645</b>
Loss for the period	-	-	-	-	-	-	(9,117,914)	(9,117,914)	(23,458)	(9,141,372)
Other comprehensive income for the period	-	-	463,370	-	(130,449)	(411,491)	-	(78,570)	-	(78,570)
Total comprehensive income for the period	-	-	463,370	-	(130,449)	(411,491)	(9,117,914)	(9,916,484)	(23,458)	(9,219,942)
SolGold Ecuador employee profit share	-	-	-	-	-	-	(34,807)	(34,807)	-	(34,807)
New share capital subscribed	1,883,861	38,772,094	-	-	-	-	-	40,655,955	-	40,655,955
Options exercised	-	-	-	-	-	-	-	-	-	-
Share issue costs	-	(1,380,024)	-	-	-	-	-	(1,380,024)	-	(1,380,024)
Options expired	-	-	-	(1,113,882)	-	-	1,113,882	-	-	-
Value of options issued to employees and consultants	-	-	-	1,080,207	-	-	-	1,080,207	-	1,080,207
<b>Balance 30 June 2020 (audited)</b>	<b>29,281,511</b>	<b>353,220,481</b>	<b>2,054,043</b>	<b>36,859,263</b>	<b>(5,015,878)</b>	<b>(581,656)</b>	<b>(133,331,591)</b>	<b>282,486,173</b>	<b>(498,139)</b>	<b>281,988,034</b>
Loss for the period	-	-	-	-	-	-	(8,786,878)	(8,786,878)	(53,472)	(8,840,350)
Other comprehensive income for the period	-	-	1,570,309	-	916,673	(200,826)	-	2,286,156	-	2,286,156
Total comprehensive income for the period	-	-	1,570,309	-	916,673	(200,826)	(8,786,878)	(6,500,722)	(53,472)	(6,554,194)
Adjustment to retained earnings	-	-	-	-	-	-	726,427	726,427	-	726,427
New share capital subscribed	156,579	4,843,421	-	-	-	-	-	5,000,000	-	5,000,000
Share issue costs	-	(98,874)	-	-	-	-	-	(98,874)	-	(98,874)
Options expired	-	-	-	-	-	-	-	-	-	-
Value of options issued to employees and consultants	-	-	-	47,377	-	-	-	47,377	-	47,377

Balance 31 December 2020 (unaudited)	29,438,090	357,965,028	3,624,352	36,906,640	(4,099,205)	(782,482)	(141,392,042)	281,660,381	(551,611)	281,108,770
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The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 31 DECEMBER 2020

	Notes	Three months ended 31 December 2020 US\$ (unaudited)	Three months ended 31 December 2019 US\$ (unaudited)	Six months ended 31 December 2020 US\$ (unaudited)	Six months ended 31 December 2019 US\$ (unaudited)
<b>Cash flows from operating activities</b>					
Loss for the period		(6,883,230)	(1,549,110)	(8,840,350)	(4,982,381)
Depreciation		145,894	305,521	274,636	329,789
Interest on Lease Liability		20,470	46,691	46,249	46,691
Interest on bridging loan		-	-	371,276	-
Interest on NSR		3,505,502	-	3,505,502	-
Share based payments expense		-	-	47,377	76,625
Write-off of exploration expenditure		903	22,953	2,048	27,235
Foreign exchange (gain)/loss		(426,755)	(644,669)	(1,897,730)	126,111
Movement in fair value of derivative liability		770,000	(207,933)	1,345,246	(207,933)
Deferred taxes		509,687	15,086	(325,293)	767,812
Accretion of interest – Company Funded Loan Plan		(110,470)	(115,202)	(219,319)	(223,037)
(Increase) decrease in other receivables and prepayments		393,978	(357,581)	(658,539)	(91,369)
Increase (decrease) in trade and other payables		(1,785,795)	(689,862)	(353,277)	(297,927)
<b>Net cash outflow from operating activities</b>		<b>(3,859,816)</b>	<b>(3,174,106)</b>	<b>(6,702,174)</b>	<b>(4,428,384)</b>
<b>Cash flows from investing activities</b>					
Acquisition of property, plant and equipment		(4,305,779)	(1,111,444)	(4,480,486)	(4,356,918)
Payments for security deposits		(5,400)	(4,939)	(55,514)	(51,993)
Proceeds from payment of Company Funded Loan Plan		399,886	-	399,886	-
Acquisition of exploration and evaluation assets		(19,703,467)	(9,753,478)	(33,296,941)	(30,987,878)
<b>Net cash (outflow) from investing activities</b>		<b>(23,614,760)</b>	<b>(10,872,861)</b>	<b>(37,433,055)</b>	<b>(35,396,789)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary share capital and options		4,800,000	22,044,235	4,800,000	22,044,235
Payment of issue costs		-	(6,271)	(12,073)	(6,271)
Net proceeds from NSR financing	10	-	-	84,380,421	-
Payment of NSR costs		(1,784,852)	-	(1,784,852)	-
Repayments of lease liability		(98,632)	(197,163)	(240,335)	(197,163)
<b>Net cash (outflow) inflow from financing activities</b>		<b>2,916,516</b>	<b>21,840,801</b>	<b>87,143,161</b>	<b>21,840,801</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(24,558,060)</b>	<b>7,796,834</b>	<b>43,007,932</b>	<b>(17,984,372)</b>
Cash and cash equivalents at beginning of period		115,663,709	16,506,686	46,895,243	41,746,200
Effects of exchange rate changes on cash and cash equivalents		49,593	(1,231,840)	1,252,067	(690,148)
<b>Cash and cash equivalents at end of period</b>		<b>91,155,242</b>	<b>23,071,680</b>	<b>91,155,242</b>	<b>23,071,680</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation

This general purpose half year condensed consolidated financial report for the half year ended 31 December 2020 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"), International Accounting Standards 34, *Interim financial Reporting*, as adopted pursuant to Regulation (EC) No. 1606/2002 as it applies in the European Union.

The half year condensed consolidated financial statements are presented in United States dollars ("US\$") and have been prepared on the historical cost basis, apart from financial assets held at fair value.

The half year condensed consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity. The financial information does not constitute statutory accounts within the meaning of section 434 of the companies Act 2006. The auditors' reports on the accounts for 30 June 2020 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

It is recommended that the half year condensed consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2020 and considered together with any public announcements made by SolGold plc and its controlled entities during the six months ended 31 December 2020.

##### Going concern

The Company has not generated revenues from operations in its history and, in common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. As the Net Smelter Returns ("NSR") Financing is ringfenced for the Alpala project and expenses relating to the Cascabel licence area and related overhead costs, current working capital levels will not be sufficient to fulfil all aspects of the Group's operational plan in the next 12 months. The management has doubts over the ability to undertake all planned regional exploration activities using current cost assessments. Accessing the most prospective regional drilling sites, conducting related planned drilling activities and technical services will require further funding. As such, the ability of the Group to continue as a going concern depends on its ability to issue further equity capital or secure other forms of financing. While this situation gives rise to a material uncertainty, the Directors consider it appropriate to prepare the financial statements on a going concern basis given the Group's proven ability to raise necessary funding.

COVID-19 had a negative impact on field operations and increased the costs of running operations in Ecuador, particularly in the first half of 2020. The nation-wide lockdown restricted access to project sites and delayed essential drilling activities. Regarding the Alpala Project, the Company has now caught up with delays and technical data necessary for this stage of the PFS study work is now available and is being assessed and incorporated by the study teams.

Negative effects from COVID-19 were countered by decreased travel expenses and an increase in commodity prices, both of which have a direct impact on the value of the Company and its ability to access funds. Commodity prices, especially copper, gold and silver, have increased significantly since March of 2020. Prices for copper, gold and silver reached US\$7,742/t, US\$1,894/oz and US\$26.5/oz respectively, an increase of 57%, 20% and 89% over the last 9 months (as of 31 December 2020).

The debt-driven expansion of the global economy in the last few years and emergency measures implemented since the outbreak of COVID-19 have pushed lending rates down and propped up equity capital markets, including valuations of base and precious metals mining and exploration companies. SolGold's management team believes that the prevailing macro-economic factors will make the raising of capital easier, not harder. SolGold was able to raise money on three different occasions during 2020, with the first capital raising being completed in early May, when economies were struggling under the impact of the first phase of COVID-19 in most of the world.

The Company is confident that the outlook for copper as the ultimate metal driving the renewable energy revolution, and gold as the stateless reserve currency, is exceptionally bright. Even during a recession, similar to ones currently happening to many countries due to COVID-19, the safe haven status of gold will support SolGold as going concern.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

Given the level of uncertainty in various markets and economies around the world, the Company is factoring into its forecasts that COVID-19 could potentially be an issue for the foreseeable future. As a result, financial planning is increasingly focusing on fixed cost reductions and scenario planning. The Company highlights uncertainties and risks facing the Company in the risk section of this report. As a result of this uncertainty, the Company regularly runs various budget and financial forecasts.

SolGold's worst-case scenario considers a melt-down of financial markets, under which the Company would cease all exploration activities and terminate all technical services in order to reduce costs. Even under this worst-case scenario, the Company aims to continue to employ all local employees, or as many employees as possible linked to its direct zone of influence to maintain its hard-earned, and well-respected social licence to operate. In case the going concern status of SolGold would be at risk, the Company has the ability to farm-out its licences across in Ecuador to reduce the fixed costs further.

Under the Company's worst-case scenario, the Company has sufficient funds to operate until March 2022, and in the case of the Alpala Project, significantly longer, as funds from Franco-Nevada are ring-fenced for the development of the project and all exploration activities on the Cascabel concession, and related working capital. The Directors do consider this scenario to be a highly remote scenario, but as a result and given further funds will be required to continue the exploration activity on the regional projects the Directors are required to disclose that this will represent a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern.

In September 2020, the Group announced the drawdown on the US\$100 million NSR Financing with Franco-Nevada. The Group has received net funds of US\$85 million following the repayment of the US\$15 million bridge loan received in May of 2020. Within the NSR Financing the Group has an option to upsize the facility to US\$150 million. This option is solely at the Group's control and can be exercised in a period of 8 months following the signing of the NSR Financing Agreement (11 May 2020). In January 2021, the two parties agreed to extend this option by four months.

The Company is in the final stages of implementing a companywide risk policy and risk standards and maintains comprehensive corporate, operational and project risk registers. These risk registers are updated on a quarterly basis and will be reviewed in detail during an Audit and Risk Committee ("ARC") meeting in the first quarter of 2021. COVID-19 related going concern and financial risks are some of the risks with the highest impact rating and are owned and managed by senior management of the firm. Given current circumstances, the ARC is meeting monthly.

Beside the NSR Financing from Franco-Nevada, which will not start paying out before 2028, the Company has no other financial liabilities or lending arrangements that will require renegotiation or waiving of covenants in the short term or because of COVID-19.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amount and classification of liabilities that might be required should the Company not be able to achieve the matters set out above and thus be able to continue as a going concern.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

Despite the need to raise funds within 12 months for the regional exploration activities, under the companies worst-case scenario, the Company has sufficient funds to operate until March 2022, and in the case of the Alpala Project, significantly longer, as funds from Franco-Nevada are ring-fenced for the development of the project and all exploration activities on the Cascabel concession, and related working capital.

In September 2020, the Group announced the drawdown on the US\$100 million NSR Financing with Franco-Nevada. The Group has received net funds of US\$85 million following the repayment of the US\$15 million bridge loan received in May of 2020. Within the NSR Financing the Group has an option to upsize the facility to US\$150 million. This option is solely at the Group's control and can be exercised in a period of 8 months following the signing of the NSR Financing Agreement (11 May 2020). In January 2021, the two parties agreed to extend this option by four months.

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##### Impact of COVID-19 on SolGold employees

SolGold is committed to the safety and wellbeing of its employees and communities. As a result of the state policy and to ensure the protection of the communities, the Company has established specific COVID-19 protocols to ensure compliance with government preventative measures. The Group is able to run its operations and will continue to support its employees in accordance with its COVID-19 management protocols. The Company continues field operations in all locations in Ecuador and has not relaxed any of the stringent quarantine and testing requirements initiated during 2020.

Anyone entering field operations must quarantine for 7 days and subsequently test negative for COVID-19 by means of a PCR test, the results of which are usually available within 72 hours. Over 90% of administration staff in all locations continue to work from home and the Company regularly updates employees on applicable national COVID-19 rules and guidelines. The local employees in field operations appear to be better aligning themselves with the Company's bio-security protocols since the number of positive tests have reduced.

SolGold is also actively supporting local communities in their efforts to curtail the spread of the virus, and a comprehensive information programme has been rolled out to both. In response to requests from local authorities and control agencies, SolGold has delivered shipments of personal protection equipment to medical, police and military personnel in the area. Relations between SolGold and the local communities have been further strengthened during the pandemic, with SolGold demonstrating its wider positive influence among its communities.

A focus on wellbeing under COVID-19 has continued through the period with the creation of an online daily symptoms check and one-on-one mental health sessions held by psychologists and employees who recovered from COVID-19. Ongoing refresher training on COVID-19 protocols was conducted for all employees and contractors to ensure effective biosecurity measures are maintained.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

##### Impact of COVID-19 on operations in Ecuador

The Company has not experienced any negative regulatory implications or faced an increase of political risk because of the pandemic. Sadly, Ecuador was hit hard by COVID-19, with severe negative economic consequences, including requiring a restructuring of its sovereign bond programme in 2020. The Company believes that the mining industry has already shown its value in these difficult times, as existing mining operations were able to continue to export, while tourism and oil revenues collapsed.

The Company also welcomed the decision by the Ecuadorean government in late 2020 to change its regulations in regard to the Initial Exploration phase. As many governmental departments and corporates in Ecuador were dealing with COVID-19, the existing delays in issuing outstanding permits for exploration were exacerbated. It has now been clarified that the four-year initial exploration phase of a mineral concession begins on the date on which the mineral concession-holder receives all required permits and government approvals to effectively carry out operational activities on each concession and not on the date that the concession was granted. SolGold has received so far, confirmation of new start dates for several of its 75 concessions and expects to receive additional confirmations on an ongoing basis. The new dates allow the concession holder a full four years of activity in initial exploration assuming all other factors are conducive to doing so.

##### Comparatives

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current financial year. The accounting policies for the comparatives are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2020.

##### Significant accounting policies

The group has applied the same accounting policies and methods of computation in its half year consolidated financial statements as in its 2020 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods on (or after) 1 July 2020, and will be adopted in the 2021 annual financial statements.

The main change to the groups accounting policies is around the accounting for the Net Smelter Royalty Agreement (refer Note 10 – borrowings).

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

##### New standards and interpretations

The Group has adopted the following revised and amended standards. The list below includes only standards and interpretations that could have an impact on the Consolidated Financial Statements of the Group.

<i>Effective period commencing on or after</i>		
IFRS 3	Business Combinations: Definition of a Business	1 Jan 2020
IFRS 9, IAS 39 & IFRS 7	Interest Rate Benchmark Reform	1 Jan 2020
IAS 1 & IAS 8	Definition of Material	1 Jan 2020
IFRS 16	Leases: COVID-19 Related Rent Concessions	1 July 2020

##### *IFRS 3: Business Combinations*

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

In October 2018, the International Accounting Standards Board ("IASB") issued Definition of a Business (Amendments to IFRS 3) to make it easier for companies to decide whether activities and assets they acquire are a business or merely a group of assets. The amendments:

- confirmed that a business must include inputs and a process, and clarified that:
  - the process must be substantive; and
  - the inputs and process must together significantly contribute to creating outputs.
- narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
- added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendment is effective for periods beginning on or after 1 January 2020.

Management has made an assessment of the effects of applying the updated definition on the Group's financial statements and has determined that there will be no material impact.

##### *IFRS 9, IAS 39 & IFRS 7: Interest Rate Benchmark Reform*

In September 2019, the International Accounting Standards Board ("IASB") amended IFRS 9, IAS 39 and IFRS 7 in response to uncertainty arising from the phasing out of interest-rate benchmarks such as interbank offered rates (IBORs).

The amendments modify the requirements relating to hedge accounting in order to provide relief from potential consequences of IBOR reform. Additionally, the standards were amended to require additional disclosures explaining how an entity's hedging relationships are affected by the uncertainties involving IBOR reform. The amendment is effective for periods beginning on or after 1 January 2020 with early application permitted.

Management has made an assessment of the effects of applying the amendment on the Group's financial statements and has determined that there will be no material impact.

##### *IAS 1 & IAS 8: Definition of Material*

In October 2018, the International Accounting Standards Board ("IASB") issued 'Definition of Material (Amendments to IAS 1 and IAS 8)' to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves.

There are three new aspects of the proposed new definition that should be noted:

- The proposed definition now makes reference to 'obscuring' information that may influence the decisions of primary users of general purpose financial statements;
- The existing definition made reference to 'could influence' whereas the proposed definition makes reference to 'could reasonably be expected to influence'; and
- The existing definition referred to 'users' of the financial statements whereas the proposed definition refers to 'primary users' of the financial statements

The amendment is effective for periods beginning on or after 1 January 2020

Management has made an assessment of the effects of applying the updated definition on the Group's financial statements and has determined that there will be no material impact.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of preparation (continued)

###### *IFRS 16: Leases and COVID-19*

On 28 May 2020, the International Accounting Standards Board ("IASB") issued final amendments to IFRS 16 related to COVID-19 rent concessions for lessees.

The amendments modify the requirements of IFRS 16 to permit lessees to not apply modification accounting to certain leases where the contractual terms have been affected due to COVID-19. For example, where landlords have offered rent relief or rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted.

Management has made an assessment of the effects of applying the amendment to IFRS 16 on the Group's financial statements and has determined that there will be no material impact.

Other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements are not expected to impact the Group as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

###### Subsidiaries

The half year condensed consolidated financial statements comprise the financial statements of SolGold plc and its controlled entities as at 31 December 2020.

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 any of these elements of control.

The condensed 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 condensed 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 condensed consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the condensed consolidated statement of financial position, separately from the equity of the owners of the parent.

###### 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.

###### NSR Financing

The Company has entered into a NSR Financing agreement with Franco-Nevada. This financing arrangement is classified as a financial liability at amortised cost and was initially recognised at the amount received adjusted for transaction costs paid. This new financing arrangement will introduce a new key estimate for the 2021 Financial Report (refer Note 10).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 2 OPERATING SEGMENTS

The Group determines and separately reports operating segments based on information that is internally provided to the Directors, who are the Group's chief operating decision makers.

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8 *Operating Segments*, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors by project areas. That is, the financial position of each project area is reported discretely, together with an aggregated corporate and administrative cost centre.

31 December 2020 (unaudited)	Finance Income US\$	Depreciation US\$	Impairment of E&E US\$	Loss for the Period US%	Assets US\$	Liabilities US\$	Share Based Payments US\$	Non-current Asset Additions US\$
Cascabel project*	-	44,317	-	(356,471)	212,032,239	4,078,442	-	22,645,769
Other Ecuadorian projects	-	63,704	-	(1,418,646)	66,654,121	2,610,145	-	12,478,875
Other projects	189	-	2,048	(8,651)	11,037,331	17,687	-	104,312
Corporate **	222,054	166,615	-	(7,056,672)	106,087,221	107,995,873	47,377	57,957,171
<b>Total</b>	<b>222,243</b>	<b>274,636</b>	<b>2,048</b>	<b>(8,840,350)</b>	<b>395,810,908</b>	<b>114,702,147</b>	<b>47,377</b>	<b>93,186,127</b>

30 June 2020 (audited)	Finance Income US\$	Depreciation US\$	Impairment of E&E US\$	Loss for the Period US%	Assets US\$	Liabilities US\$	Share Based Payments US\$	Non-current Asset Additions US\$
Cascabel project*	-	52,093	-	(371,834)	186,326,970	1,899,646	-	34,592,783
Other Ecuadorian projects	-	107,750	220,257	(1,081,818)	51,907,905	1,643,133	-	22,091,570
Other projects	253	22	(2,094)	(16,136)	10,018,121	14,854	-	405,131
Corporate **	513,083	525,467	-	(12,653,965)	58,545,452	21,252,781	1,156,832	36,779
<b>Total</b>	<b>513,336</b>	<b>685,332</b>	<b>218,163</b>	<b>(14,123,753)</b>	<b>306,798,448</b>	<b>24,810,414</b>	<b>1,156,832</b>	<b>57,126,263</b>

31 December 2019 (unaudited)	Finance Income US\$	Depreciation US\$	Impairment of E&E US\$	Loss for the Period US%	Assets US\$	Liabilities US\$	Share Based Payments US\$	Non-current Asset Additions US\$
Cascabel project*	-	24,439	-	(215,447)	174,321,867	3,014,331	-	21,890,323
Other Ecuadorian projects	-	52,113	27,664	(472,590)	41,063,415	1,435,158	-	11,614,506
Other projects	213	11	(429)	(10,044)	9,989,806	23,405	-	254,801
Corporate **	290,589	253,226	-	(4,284,300)	35,550,644	5,566,193	76,625	36,779
<b>Total</b>	<b>290,802</b>	<b>329,789</b>	<b>27,235</b>	<b>(4,982,381)</b>	<b>260,925,732</b>	<b>10,039,087</b>	<b>76,625</b>	<b>33,796,09</b>

\* The Cascabel project is held by the subsidiary Exploraciones Novomining S.A. which is 15% owned by a non-controlling interest.

\*\* During the reporting period the Company incorporated SolGold Finance AG, a Swiss entity, which is 100% owned by SolGold plc and holds the Net Smelter Royalty Financing agreement with Franco-Nevada.



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 2 OPERATING SEGMENTS (CONTINUED)

##### Geographical information

Non-current assets	31 December 2020 US\$	30 June 2020 US\$
Australia	16,395,296	20,299,052
Solomon Islands	336,704	231,744
Ecuador	273,986,656	236,488,493
	<b>290,718,656</b>	<b>257,019,289</b>

#### NOTE 3 OPERATING LOSS

	Three months ended 31 December 2020 US\$ (unaudited)	Three months ended 31 December 2019 US\$ (unaudited)	Six months ended 31 December 2020 US\$ (unaudited)	Six months ended 31 December 2019 US\$ (unaudited)
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##### The operating loss is stated after charging (crediting)

Interest revenue – external parties	111,419	119,329	222,243	290,802
	<b>111,419</b>	<b>119,329</b>	<b>222,243</b>	<b>290,802</b>
Administrative and consulting expenses	1,365,211	1,574,095	4,087,344	3,141,150
Employment expenses	975,661	357,909	1,470,996	604,773
Depreciation	145,894	305,521	274,636	329,789
Legal Fees	185,844	198,786	281,147	360,930
Foreign exchange losses/(gains)	(426,755)	(644,669)	(1,897,730)	126,111
Share based payments (note 12)	-	-	47,377	76,625
	<b>2,245,855</b>	<b>1,791,643</b>	<b>4,263,770</b>	<b>4,639,378</b>
Finance costs	3,526,115	46,691	3,923,613	46,691
Movement in fair value of derivative liability	770,000	(207,933)	1,345,246	(207,933)
	<b>4,296,115</b>	<b>(161,242)</b>	<b>5,268,859</b>	<b>(161,242)</b>

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 4 LOSS PER SHARE

	Three months ended 31 December 2020 (unaudited)	Three months ended 31 December 2019 (unaudited)	Six months ended 31 December 2020 (unaudited)	Six months ended 31 December 2019 (unaudited)
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Calculation of basic and diluted loss per share is in accordance with IAS 33 *Earnings per Share*.

Loss per ordinary share

Basic loss per share (cents per share)	(0.3)	(0.1)	(0.4)	(0.3)
Diluted loss per share (cents per share)	(0.3)	(0.1)	(0.4)	(0.3)
Net loss used in calculating basic and diluted loss per share (US\$)	(6,859,688)	(1,549,110)	(8,786,878)	(4,982,381)

	Number	Number	Number	Number
Weighted average number of ordinary share used in the calculation of basic loss per share	2,078,621,187	1,858,523,219	2,075,399,834	1,858,523,219
Weighted average number of dilutive options	-	-	-	-
Weighted average number of ordinary shares used in the calculation of diluted loss per share	2,078,621,187	1,858,523,219	2,075,399,834	1,858,523,219

Options granted are not included in the determination of diluted earnings per share as they are considered to be anti-dilutive.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 5 INTANGIBLE ASSETS

	Deferred exploration costs US\$
<b>Cost</b>	
<b>Balance at 1 July 2019</b>	<b>214,860,493</b>
Effect of foreign exchange on opening balances	(129,525)
Additions	53,121,969
<b>Balance at 30 June 2020 (audited)</b>	<b>267,852,937</b>
Effect of foreign exchange on opening balances	909,887
Additions	36,186,723
<b>Balance at 31 December 2020 (unaudited)</b>	<b>304,949,547</b>
<b>Impairment losses</b>	
<b>Balance at 1 July 2019</b>	<b>(37,378,621)</b>
Effect of foreign exchange on opening balances	-
Impairment charge	(218,163)
<b>Balance at 30 June 2020 (audited)</b>	<b>(37,596,784)</b>
Impairment charge	(2,048)
<b>Balance at 31 December 2020 (unaudited)</b>	<b>(37,598,832)</b>
<b>Carrying amounts</b>	
At 30 June 2019	177,481,872
At 30 June 2020	230,256,153
<b>At 31 December 2020 (unaudited)</b>	<b>267,350,715</b>

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

#### NOTE 6 INVESTMENTS

##### (a) Financial assets held at fair value through OCI

	31 December 2020 US\$ (unaudited)	30 June 2020 US\$ (audited)
<b>Movements in financial assets</b>		
Opening balance at 1 July	4,119,179	5,952,439
Fair value adjustment through other comprehensive income	2,040,165	(1,833,260)
Closing balance at the end of the reporting period	<b>6,159,344</b>	<b>4,119,179</b>

Financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc., listed on the Toronto Venture Exchange ("TSV") and an investment in the ordinary issued capital of Aus Tin Mining Ltd, a company listed on the Australian Securities Exchange.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 6 INVESTMENTS (CONTINUED)

##### (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 measured and recognised at fair value.

	US\$ Level 1	US\$ Level 2	US\$ Level 3	US\$ Total
<b>31 December 2020 (unaudited)</b>				
Financial assets held at fair value through OCI	6,159,344	-	-	6,159,344
<b>30 June 2020 (audited)</b>				
Financial assets held at fair value through OCI	4,119,179	-	-	4,119,179

The financial assets are measured based on the quoted market prices at 31 December 2020 and 30 June 2020.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 7 LOAN RECEIVABLES

	31 December 2020 US\$	30 June 2020 US\$
<b>Loan receivables current asset</b>		
Company Funded Loan Plan Receivable	6,838,677	-
<b>Closing balance at the end of the reporting period</b>	<b>6,838,677</b>	<b>-</b>
<b>Loan receivable and other non-current assets</b>		
Security bonds	1,386,937	1,329,571
Company Funded Loan Plan Receivable	-	6,373,398
<b>Balance at end of reporting period</b>	<b>1,386,937</b>	<b>7,702,969</b>
<b>Company Funded Loan Plan Receivable</b>		
Opening balance at 1 July	6,373,398	6,496,407
Additions – funds loaned under the plan	-	-
Repayments of loans during the period	(399,886)	-
Fair value adjustment recognised as an employee benefit expense	-	(402,082)
Accretion of interest	219,319	439,246
Effect of foreign exchange	645,846	(160,173)
<b>Balance at end of reporting period</b>	<b>6,838,677</b>	<b>6,373,398</b>

The Company Funded Loan Plan (the “Plan”) is a plan established by the Company to assist employees in exercising share options. On 29 October 2018, the Company assisted employees to exercise 19,950,000 options previously issued to employees of the Company in 2016 via the Plan. As at 31 December 2020 there have been repayments against three of the loans provided.

The key terms of this Plan are as follows:

- The employee may only use a loan under the Plan to pay for the exercise of Employee Options granted by the Company.
- The loan will be granted for a maximum period of 2 years.
- No interest will be charged on the loan.
- The loan is secured by the shares granted on the exercise of the Employee Options.
- The loans provided are full recourse.

On 24 February 2020 the maturity date for the CFLP was extended by 12 months to 29 October 2021. All other terms of the CFLP remain consistent. The 12-month extension of the loan resulted in an overall increase of US\$402,082 in employee benefits expense for the year ended 30 June 2020. This fair value adjustment is represented in the above table 30 June 2020 comparatives and was recognised as an employee benefit expense. The loan was reclassified from non-current to current for the period ending 31 December 2020, as there is less than 12 months until the receivable falls due.

As the loan provided by the Company was at a favourable rate of interest for the employees, the loan receivable under the Plan was fair valued. The fair value of the loan was estimated based on the future cash flow and a market rate of 7%. In future reporting periods, the loan will be measured at amortised cost. The loans provided are full recourse loans. If the sale of shares does not cover full repayment the balance will be recovered from employees. This transaction was a non-cash transaction with employees. Management have considered the likelihood of default is low and the expected credit losses under the loans will be immaterial and accordingly, no impairment has been recognised at 31 December 2020. The loan is a non-cash transaction.

Security bonds relate to cash security held against office premises, Level 27, 111 Eagle St, Brisbane, Queensland Australia, 1 King Street, St Paul’s London United Kingdom, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 8 LEASE LIABILITIES

	31 December 2020 US\$	30 June 2020 US\$
<b>Current Liability</b>		
Lease Liability	394,123	314,524
<b>Closing balance at the end of the reporting period</b>	<b>394,123</b>	<b>314,524</b>
<b>Non-current Liability</b>		
Lease Liability	764,771	875,141
<b>Balance at end of reporting period</b>	<b>764,771</b>	<b>875,141</b>

#### NOTE 9 OTHER FINANCIAL LIABILITIES

##### Derivative liability at fair value through profit or loss

Opening balance at 1 July	2,312,254	-
Additions – options issues to BHP	-	2,592,167
Fair value adjustment recognised through profit or loss	1,345,246	(279,913)
<b>Balance at end of reporting period</b>	<b>3,657,500</b>	<b>2,312,254</b>

The fair values of 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 liabilities measured and recognised at fair value.

	US\$ Level 1	US\$ Level 2	US\$ Level 3	US\$ Total
<b>31 December 2020 (unaudited)</b>				
Derivative liability at fair value through profit or loss	-	-	3,657,500	3,657,500
<b>30 June 2020 (audited)</b>				
Derivative liability at fair value through profit or loss	-	-	2,312,254	2,312,254

The derivative liability at fair value through profit or loss has been valued using the Monte Carlo Simulation method.

Fair value of share options and assumptions	2020 £0.37 Options 31 December 2020
Number of options	19,250,000
Share price	£0.324
Exercise price	£0.370
Expected volatility	61.102%
Time to expiry	3.92 years
Expected dividends	0.00%
Risk-free interest rate (short-term)	(0.10%)
Fair value	\$0.225
Valuation methodology	Monte Carlo Value
<b>For the financial year ended 31 December 2020</b>	<b>US\$</b>
Derivative liability valuation recognised in statement of comprehensive income	(1,345,246)

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### Note 10 BORROWINGS

	31 December 2020 US\$	30 June 2020 US\$
<b>Current Liability</b>		
Bridging Loan	-	15,000,000
Capitalised interest	-	248,303
<b>Balance at the end of the reporting period</b>	<b>-</b>	<b>15,248,303</b>

<b>Bridging loan</b>		
Balance at beginning of reporting period	15,248,303	-
Additions – funds received under the loan	-	14,815,000
Legal fees reimbursed to FN on receipt of loan funds	-	185,000
Capitalised interest	371,275	248,303
Repayment of loan	(15,619,578)	-
<b>Balance at end of reporting period</b>	<b>-</b>	<b>15,248,303</b>

	31 December 2020 US\$	30 June 2020 US\$
<b>Non-current Liability</b>		
Net Smelter Royalty Financing	100,994,228	-
<b>Balance at the end of the reporting period</b>	<b>100,994,228</b>	<b>-</b>

<b>Net Smelter Royalty Financing</b>		
Balance at beginning of reporting period	-	-
Additions – funds received under the loan	84,380,422	-
Additions – funds utilised in repaying Bridging Loan	15,619,578	-
Transaction costs adjusted through retained earnings	(726,427)	-
Transaction costs at recognition	(1,784,847)	-
Interest amortised	3,505,502	-
<b>Balance at end of reporting period</b>	<b>100,994,228</b>	<b>-</b>

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### Note 10 BORROWINGS (CONTINUED)

On 11 September 2020, Franco-Nevada advanced to SolGold US\$100 million ("Royalty Purchase Price") under the NSR Financing Agreement, less the amount of outstanding principal and interest under the US\$15 million secured bridge loan pursuant to the Bridge Loan Agreement ("BLA") with Franco-Nevada announced on 11 May 2020. The aggregate amount owing under the BLA was repaid out of the proceeds of the NSR Financing. This financing arrangement is classified as a financial liability at amortised cost and was recognised at the amount received adjusted for transaction costs paid.

The accounting policy disclosed within the 30 September 2020 interim financial statements noted that the NSR was classified as fair value through profit or loss. Following further analysis Management has concluded that the NSR represents a host debt measured at amortised cost. An adjustment has been made to the 30 September 2020 statement of financial position to derecognise the day one loss of US\$58 million as it was subsequently determined that the transaction price was representative of fair value at initial recognition and also to recognise the liability subsequently at amortised cost. Given the NSR Financing was drawn down on 11 September 2020 the impact of recognising the effective interest is considered immaterial and therefore the impact on the 30 September 2020 income statement is negligible.

Management also notes that US\$726,427 of transaction costs were expensed in the 30 June 2020 income statement, as it was not sufficiently certain due to Covid-19 that the transaction would close. Management has recognised an adjustment to restate the prior year retained earnings to reflect this in the 31 December 2020 interim financial statements.

In return for the Royalty Purchase Price, Franco-Nevada has been granted a perpetual 1% royalty interest to be calculated by reference to NSR from the Cascabel concession area in accordance with the terms and conditions set out in the NSR Financing Agreement. Financial liabilities classified at amortised costs are calculated using the effective interest method, which allocates expenses at a constant rate over the term of the investment. The effective interest rate is the internal rate of return of the liability at initial recognition through the expected life of the financial liability, which in this case is the time from the recognition until the end of the mine life of the Alpala mine.

Key terms to the financing include:

- Funding Amount: US\$100 million with upscale option to US\$150 million
- Royalty Terms: 1.0% NSR for \$100 million + further 0.5% NSR on additional upscaled US\$50 million
- Buyback: A 50% buy-back option exercisable at SolGold's election for six years from closing at a price delivering Franco-Nevada a 12% IRR
- Gold conversion: option in favour of Franco-Nevada to convert the NSR interest into a gold-only NSR interest (six years from year two of operations). The amount of the gold net smelter return will be calculated on a net present value neutral basis
- Proceeds to fund the costs to complete the Feasibility Study, with any surplus to be used for SolGold's share of the development of Alpala

The upscale option is solely at the Group's control and can be exercised during a period of 8 months following the signing of the NSR Financing Agreement (11 May 2020). In January 2021, the two parties agreed to extend this option by four months.

Key inputs for the estimation of future cash flows of the effective interest rate are:

- All operating assumptions are based on the latest available development plan
- The NSR Top-Up and Minimum Annual Payment are assessed based on the latest operating assumptions
- Gold price of \$1,300 per ounce
- Copper price of \$7,268 per tonne
- Silver price of \$16 per ounce
- The board of directors has not yet made an assessment of its buy-back and upscale rights, which should not have a material impact on the IRR

The effective interest rate calculated using the latest available development plan and financial model results in a discount rate of 11.84% (real).



## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 11 SHARE CAPITAL

	Six months ended 31 December 2020 US\$ (unaudited)	Twelve months ended 30 June 2020 US\$ (audited)
<b>a) Issued capital and share premium</b>		
Ordinary shares fully paid up (nominal value of £0.01 each)	387,403,118	382,501,992
<b>b) Movement in ordinary shares</b>		
At the beginning of the reporting period	382,501,992	323,778,383
Shares issued during the period	5,000,000	60,108,021
Transaction costs on share issue	(98,874)	(1,384,412)
At reporting date	387,403,118	382,501,992
	Six months ended 31 December 2020 Number (unaudited)	Twelve months ended 30 June 2020 Number (audited)
<b>c) Movement in number of ordinary shares on issue</b>		
Shares at the beginning of the reporting period	2,072,213,494	1,846,321,033
- Shares issued at £0.2215 – BHP share issue 2 December 2019	-	77,000,000
- Shares issued at £0.215 – Placing share issue 5 June 2020	-	121,359,680
- Shares issued at £0.215 – PrimaryBid share issue 5 June 2020	-	4,813,526
- Shares issued at £0.215 – Directors share issue 9 June 2020	-	162,790
- Shares issued at £0.215 – Private Investor share issue 12 June 2020	-	21,440,186
- Shares issued at £0.215 – Additional Subscription share issue 12 June 2020	-	1,116,279
- Shares issued at US\$0.42 – Valuestone share issue 12 November 2020	11,900,000	-
Shares at the reporting date	2,084,113,494	2,072,213,494

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 12 SHARE OPTIONS

At 31 December 2020 the Company had 111,775,000 options outstanding for the issue of ordinary shares (31 December 2019: 182,662,000).

##### Options

Share options are granted to employees under the Company's Employee Share Option Plan ("ESOP"). The employee share option plan is designed to align participants' interests with those of shareholders.

Unless otherwise documented by 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 to three 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 nil options granted during the period ended 31 December 2020 (31 December 2019: 22,400,000).

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 12 SHARE OPTIONS (CONTINUED)

The share options outstanding at 31 December 2020 are as follows:

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 31 December 2020
5 July 2018	The options vested immediately and exercisable through to 4 July 2020	4 July 2021	£0.60	250,000	250,000
6 November 2018	The options vested immediately and exercisable through to 6 November 2021	6 November 2021	£0.60	82,875,000	77,875,000 <sup>1</sup>
20 December 2018	The options vested immediately and exercisable through to 20 December 2021	20 December 2021	£0.60	11,375,000	5,900,000 <sup>2</sup>
2 December 2019 <sup>3</sup>	The options vested immediately and exercisable through to 2 December 2024	2 December 2024	£0.37	19,250,000	19,250,000
27 April 2020	The options vested immediately and exercisable through to 26 April 2023	26 April 2023	£0.25	7,000,000	7,000,000
27 April 2020	The options vest over four months and are exercisable through to 26 April 2023	26 April 2023	£0.25	1,500,000	1,500,000
				<b>122,250,000</b>	<b>111,775,000</b>

<sup>1</sup>3,000,000 options previously issued to Anna Legge were forfeited during the year ended 30 June 2020 as a result of her resignation. Furthermore 2,000,000 additional options expired due to employees' resignation.

<sup>2</sup>On 14 September 2020 it was announced that Mr Brian Moller and Mr James Clare would surrender their options, 4,575,000. Previous options issued to Mr Craig Jones were forfeited due to his resignation, 900,000.

<sup>3</sup>Options issued to BHP as part of the share subscriptions on 2 December 2019 and exercisable at £0.37 within 5 years. These options fall outside the scope of IFRS 2 and is classified as a derivative financial liability as it does not meet the fixed for fixed test.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2019

#### NOTE 12 SHARE OPTIONS (CONTINUED)

##### Share-based payments

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

	Weighted average exercise price 31 December 2020	Number of options 31 December 2020	Weighted average exercise price 31 December 2019	Number of options 31 December 2019
Outstanding at the beginning of the period	£0.54	185,162,000	£0.57	160,262,000
Exercised during the period	-	-	-	-
Lapsed during the period	£0.60	(73,387,000)	-	-
Granted during the period	-	-	£0.40	22,400,000
Outstanding at the end of the period	£0.53	111,775,000	£0.55	182,662,000
Exercisable at the end of the period	£0.53	111,775,000	£0.55	182,662,000

The options outstanding at 31 December 2020 have exercise prices of £0.25, £0.37, and £0.60 (31 December 2019: £0.37, £0.40 and £0.60) and a weighted average contractual life of 1.52 years (31 December 2019: 1.73 years).

Share options held by Directors are as follows:

Share options held	At 31 December 2020	At 31 December 2019	Option Price	Exercise Period
<b>Nicholas Mather</b>	-	26,250,000	60p	28/01/19 – 08/08/20
	5,000,000	5,000,000	60p	20/12/18 – 20/12/21
<b>Brian Moller</b>	-	3,750,000	60p	28/01/19 – 08/08/20
	-	1,425,000	60p	20/12/18 – 20/12/21
<b>Robert Weinberg</b>	-	2,250,000	60p	28/01/19 – 08/08/20
	900,000	900,000	60p	20/12/18 – 20/12/21
<b>John Bovard</b>	-	-	60p	28/01/19 – 08/08/20
<b>Craig Jones</b>	-	2,250,000	60p	28/01/19 – 08/08/20
	-	900,000	60p	20/12/18 – 20/12/21
<b>James Clare</b>	-	3,150,000	60p	20/12/18 – 20/12/21
<b>Jason Ward</b>	5,000,000	5,000,000	60p	28/07/17 – 08/08/20
	5,000,000	5,000,000	60p	06/11/18 – 06/11/21
<b>Liam Twigger</b>	-	3,150,000	60p	20/09/19 – 20/12/21
<b>Anna Legge</b>	-	3,000,000	40p	05/07/18 – 04/04/20
	-	3,000,000	60p	06/11/18 – 06/11/21

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 12 SHARE OPTIONS (continued)

##### Share-based payments (continued)

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. This estimate is based on the Black-Scholes model considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

Fair value of share options and assumptions		£0.25 Options 27 April 2020
Number of options		1,500,000
Share price at issue date		£0.26
Exercise price		£0.25
Expected volatility		60.548%
Option life		3.00 years
Expected dividends		0.00%
Risk-free interest rate (short-term)		0.14%
Fair value		£0.107
Valuation methodology		Black-Scholes

  

	US\$
Share based payments expense recognised in statement of comprehensive income	47,377
Share based payments expense recognised as share issue costs	-
Share based payments expense to be recognised in future periods	-

The calculation of the volatility of the share price on the above was based on the Company's daily closing share price over the two year period, dependant on the exercise period attributable to the tranche of options, prior to the date the options were issued.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 13 RELATED PARTIES

##### 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 Chief Executive Officer and Executive Director of the Company. For the half year ended 31 December 2020 US\$215,315 was paid or payable to Samuel (2019: US\$204,425). The total amount outstanding at 31 December 2020 was US\$nil (31 December 2019: US\$ nil, 30 June 2020: US\$37,765).
- (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 provisions of its administration, 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. DGR Global shall also invoice the Company from time to time for the provision of in-house legal counsel services. For the half year ended 31 December 2020 US\$137,910 was paid or payable to DGR Global (31 December 2019: US\$123,273) for the provision of administration, management and office facilities to the Company during the period. The total amount outstanding at 31 December 2020 is US\$nil (31 December 2019: US\$48,179, 30 June 2020 US\$30,941).
- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. For the half year ended 31 December 2020, US\$59,052 was paid or payable to Hopgood Ganim (2019: US\$82,355) for the provision of legal services to the Company. These services were based on normal commercial terms and conditions. The total amount outstanding at 31 December 2020 is US\$16,982 (31 December 2019: US\$31,183, 30 June 2020 US\$47,657).
- (iv) Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the half year ended 31 December 2020, US\$206,961 was paid or payable to Bennett Jones (2019: US\$521,921) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at 31 December 2020 is US\$145,962 (31 December 2019: US\$244,713, 30 June 2020 US\$202,128).

#### NOTE 14 COMMITMENTS AND CONTINGENT ASSET 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 definitive-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 definitive-feasibility study at 31 December 2020 as such there is significant uncertainty over the timing of any payments that may fall due

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 14 COMMITMENTS AND CONTINGENT ASSET AND LIABILITIES (continued)

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. At 31 December 2020, Cornerstone's equity interest in ENSA had not been diluted below 10%.

The amount receivable from CESA at 31 December 2020 was US\$34,992,558 (2019: US\$28,682,502). As there is uncertainty as to whether ENSA will be able to distribute earnings or dividends, a provision for impairment has been recognised on the entire amount receivable from CESA.

There are no other significant changes to commitments and contingencies disclosed in the most recent annual financial report.

#### NOTE 15 MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD

##### *Leadership Succession*

On 19 January, 2021, CEO Nicholas Mather notified the Board of Directors that he will retire from the role. The Company has commenced a global executive search to identify and engage with candidates that have experience in base and precious metals exploration and the construction of large copper-gold porphyry mines in South America, development financing and executive corporate management. Mr Mather will step down effective 31 March 2021, after which Independent Non-Executive Director Keith Marshall will act as interim CEO until a new CEO is hired. Mr Mather intends to remain on the Board as a Non-Executive Director.

##### *Central Government instruction – COVID-19*

With the new strain of virus present in Ecuador, the increase in cases from the holiday period and the determination by the national government to try to avoid hospitals being overwhelmed by serious cases the Ecuador National Emergency Committee on the 11th of January 2021 announced:

- Once again encourage all who can to work from home both in public and private businesses;
- Continue to prohibit large gatherings;
- Temporarily suspend the approvals issued earlier in January for some schools to open their doors again.

The repeated prevention advice to use masks, distance from others and avoid groups

##### *Alpala Pre-Feasibility Study Update*

The Alpala Project Committee ("Committee"), chaired by Non-Executive Director Keith Marshall, has reviewed the work undertaken to date on the Alpala PFS and provided its recommendation to the Board on the next steps to progress the PFS to completion.

The Committee has determined that additional work is required to sufficiently address a number of mine development and metallurgical alternatives and potential upsides, including resource potential on other targets within the Cascabel concession.

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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE HALF YEAR ENDED 31 DECEMBER 2020

#### NOTE 15 MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD (continued)

On the basis of the report of the Committee, the Board of Directors has requested SolGold management to review both the current draft mine development plan and draft mine production plan, specifically:

- to examine an alternative mine access to accelerate the development of the cave;
- to examine the draft mine production plan with a view to ascertaining the optimum production rate, with the most likely scenario being a reduction of the previously contemplated mining rate but at higher grades from a reduced footprint in the early stages of operations;
- to study an optimised block cave footprint targeting higher grade material in the early stages, whilst maintaining expansion capabilities through plant and infrastructure addition strategies;
- to correspondingly optimise the capital cost and construction schedules of all related downstream milling, processing and tailings operations;
- to undertake a thorough re-assessment of all potential near-surface mining options at the Alpala Deposit, and
- to investigate the resource potential at satellite targets on the Cascabel concession, including Tandayama-America, Aguinaga and Moran.

Management is also investigating other options and scenarios to deliver further value, including adoption of dedicated hydro-power plants, and the improvement of metallurgical recoveries.

It is anticipated that this work will continue throughout 2021 and the publication of the PFS is not expected until Q4 2021. SolGold is confident that the additional time and work to complete the PFS is in the Company's best interest and will result in the publication of the best possible PFS.

#### *Amended NI 43-101 Technical Report*

The Company filed an amended National Instrument 43-101 Technical Report on January 29, 2021 which supersedes all previous versions affiliated with the Alpala Project on the Cascabel Concession.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after balance date that would have a material impact on the half year condensed consolidated financial statements.



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## DIRECTORS' RESPONSIBILITY STATEMENT AND REPORT ON PRINCIPAL RISKS AND UNCERTAINTIES

Responsibility statement:

We confirm to the best of our knowledge:

- a) The condensed set of financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No. 1606/2002 as it applied in the European Union.
- b) The interim management report includes a fair review of the information required by:
  - I. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements: and a description of the principal risks and uncertainties for the remaining six months of the year; and
  - II. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period, and any changes in the related party transactions described in the last annual report that could do so.

This report contains forward-looking statements. These statements are based on current estimates and projections of management and currently available information. Future statements are not guarantees of the future developments and results outlined therein. Rather, future developments and results are dependence on a number of factors; they involve various risks and uncertainties and are based upon assumptions that may not prove to be accurate. Risks and uncertainties identified by the Group are set out on page 53 of the 2020 Annual Report and Accounts. We do not assume any obligation to update the forward-looking statements contained in this report.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

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Nicholas Mather  
Executive Director

Brisbane  
12 February 2021