**28 September 2021**

# SolGold plc

("SolGold" or the "Company")

## Annual Report, Full Year Results & Management Discussion and Analysis

The Board of Directors of SolGold (LSE & TSX code: SOLG) is pleased to announce the release of its Full Year Results for the year ended 30 June 2021. The Board advises all shareholders and interested investors that the Company's website www.solgold.com.au contains access to a copy of the Full Year Results for the year ended 30 June 2021. An abridged version of the Full Year Results is included below.

For Canadian purposes, the Company has filed its audited financial statements and Management Discussion and Analysis ("MD&A") for the year ended 30 June 2021 on SEDAR.

The Company's annual report, including the audited full year results for the year ended 30 June 2021, together with the MD&A is available on the Company's website: www.solgold.com.au.

By order of the Board
Dennis Wilkins
Company Secretary


SolGold plc UK Company No. 5449516 ARBN 117 169 856 Email: info@solgold.com.au Website: www.solgold.com.au
Head office: Level 27, 111 Eagle Street, Brisbane QLD 4000 Australia Postal address: GPO Box 5261, Brisbane QLD 4001 Phone: +61 7 3303 0660
Registered office: 1 King Street, London, EC2V 8AU, UK Phone: +44 20 3823 2130

# FINANCIAL STATEMENTS

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

**For the year ended 30 June 2021**

| | Notes | Group 2021 US$ | Group 2020 US$ |
|---|---|---|---|
| **Expenses** | | | |
| Exploration costs written-off | 13 | (4,353) | (218,163) |
| Administrative expenses | | (12,545,812) | (12,411,630) |
| Share based payments expenses | 23 | (315,436) | (1,156,832) |
| **Operating loss** | **3** | **(12,865,601)** | **(13,786,625)** |
| Other income | | 344,565 | 398,472 |
| Finance income | 6 | 454,575 | 513,336 |
| Finance costs | 6 | (10,061,787) | (425,440) |
| Movement in fair value of derivative liability | 22 | (613,746) | 279,913 |
| **Loss before tax** | | **(22,741,994)** | **(13,020,344)** |
| Tax (expense) benefit | 7 | (151,173) | (1,103,409) |
| **Loss for the year** | | **(22,893,167)** | **(14,123,753)** |
| | | | |
| **Other comprehensive loss** | | | |
| *Items that may be reclassified to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | 670,049 | (139,285) |
| *Items that will not be reclassified to profit or loss* | | | |
| Change in Ecuador pension | | (50,378) | (475,763) |
| Change in fair value of financial assets, net of tax | 11a / 15 | 1,198,986 | (1,320,370) |
| **Other comprehensive profit/(loss), net of tax** | | **1,818,657** | **(1,935,418)** |
| **Total comprehensive loss for the year** | | **(21,074,510)** | **(16,059,171)** |
| | | | |
| **Loss for the year attributable to:** | | | |
| Owners of the parent company | | (22,811,409) | (14,067,978) |
| Non-controlling interest | | (81,758) | (55,775) |
| | | **(22,893,167)** | **(14,123,753)** |
| | | | |
| **Total comprehensive loss for the year attributable to:** | | | |
| Owners of the parent company | | (20,992,752) | (16,003,396) |
| Non-controlling interest | | (81,758) | (55,775) |
| | | **(21,074,510)** | **(16,059,171)** |
| | | | |
| **Loss per share** | | **Cents per share** | **Cents per share** |
| Basic loss per share | 8 | (1.1) | (0.7) |
| Diluted loss per share | 8 | (1.1) | (0.7) |

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.



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## Consolidated Statement of Financial Position

**As at 30 June 2021**

Registered Number 5449516

| | Notes | Group 2021 US$ | Group 2020 US$ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 15,682,120 | 14,940,988 |
| Intangible assets | 13 | 308,432,012 | 230,256,153 |
| Financial assets held at fair value through OCI | 11(a) | 6,825,042 | 4,119,179 |
| Loans receivable and other non-current assets | 14 | 1,457,324 | 7,702,969 |
| **Total non-current assets** | | **332,396,498** | **257,019,289** |
| Other receivables and prepayments | 16 | 8,458,494 | 2,883,916 |
| Loans receivable and other current assets | 14 | 6,495,930 | - |
| Cash and cash equivalents | 17 | 109,562,103 | 46,895,243 |
| **Total current assets** | | **124,516,527** | **49,779,159** |
| **Total assets** | | **456,913,025** | **306,798,448** |
| **Equity** | | | |
| Share capital | 18 | 32,350,699 | 29,281,511 |
| Share premium | 18 | 426,819,162 | 353,220,481 |
| Other reserves | 18 | 26,625,929 | 38,331,650 |
| Accumulated loss | | (142,247,869) | (133,331,591) |
| Foreign currency translation reserve | | (4,345,829) | (5,015,878) |
| **Equity attributable to owners of the parent company** | | 339,202,092 | 282,486,173 |
| Non-controlling interest | | (579,897) | (498,139) |
| **Total equity** | | **338,622,195** | **281,988,034** |
| **Liabilities** | | | |
| Trade and other payables | 19 | 7,847,650 | 6,060,193 |
| Lease liability | 20 | 335,749 | 314,524 |
| Borrowings | 21 | - | 15,248,302 |
| **Total current liabilities** | | **8,183,399** | **21,623,019** |
| Lease liability | 20 | 607,214 | 875,141 |
| Other financial liabilities | 22 | 2,926,000 | 2,312,254 |
| Borrowings | 21 | 106,574,217 | - |
| **Total non-current liabilities** | | **110,107,431** | **3,187,395** |
| **Total liabilities** | | **118,290,830** | **24,810,414** |
| **Total equity and liabilities** | | **456,913,025** | **306,798,448** |

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



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## Company Statement of Financial Position

**As at 30 June 2021**

Registered Number 5449516

| | Notes | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 12 | 958,850 | 1,187,191 |
| Investment in subsidiaries | 9 | 120,045,844 | 259,951,415 |
| Loans with subsidiaries | 10 | 167,399,767 | - |
| Financial assets held at fair value through OCI | 11(a) | 6,819,046 | 4,113,660 |
| Loans receivable and other non-current assets | 14 | 756,332 | 7,173,984 |
| **Total non-current assets** | | **295,979,839** | **272,426,250** |
| Other receivables and prepayments | 16 | 1,938,616 | 714,197 |
| Loans receivable and other current assets | 14 | 6,495,930 | - |
| Cash and cash equivalents | 17 | 72,918,016 | 45,356,423 |
| **Total current assets** | | **81,352,562** | **46,070,620** |
| **Total assets** | | **377,332,401** | **318,496,870** |
| **Equity** | | | |
| Share capital | 18 | 32,350,699 | 29,281,511 |
| Share premium | 18 | 426,819,162 | 353,220,481 |
| Other reserves | 18 | 27,257,963 | 38,913,306 |
| Accumulated loss | | (109,416,834) | (119,164,736) |
| Foreign currency translation reserve | | (5,006,473) | (5,006,473) |
| Equity attributable to owners of the parent company | | 372,004,517 | 297,244,089 |
| Non-controlling interest | | - | - |
| **Total equity** | | **372,004,517** | **297,244,089** |
| **Liabilities** | | | |
| Trade and other payables | 19 | 1,475,395 | 2,616,941 |
| Lease liability | 20 | 319,275 | 222,109 |
| Borrowings | 21 | - | 15,248,302 |
| **Total current liabilities** | | **1,794,670** | **18,087,352** |
| Lease liability | 20 | 607,214 | 853,175 |
| Other financial liabilities | 22 | 2,926,000 | 2,312,254 |
| **Total non-current liabilities** | | **3,533,214** | **3,165,429** |
| **Total liabilities** | | **5,327,884** | **21,252,781** |
| **Total equity and liabilities** | | **377,332,401** | **318,496,870** |

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

A separate statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006. The Company's loss for the year was US$4,147,229 (2020: US$12,653,965).

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 28 September 2021.

Liam Twigger
Chairman



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## Consolidated Statement of Changes in Equity

**For the year ended 30 June 2021**

| | Notes | Share capital US$ | Share premium US$ | Financial assets held at fair value through other comprehensive income US$ | Share based payment reserve US$ | Other reserves US$ | Accumulated loss US$ | Foreign currency translation reserve US$ | Total US$ | Non-controlling interests US$ | Total Equity US$ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | | **26,402,424** | **297,375,959** | **3,374,413** | **36,816,313** | **(105,893)** | **(120,342,688)** | **(4,876,593)** | **238,643,935** | **(442,364)** | **238,201,571** |
| Loss for the year | | - | - | - | - | - | (14,067,978) | - | (14,067,978) | (55,775) | (14,123,753) |
| Other comprehensive income | | - | - | (1,320,370) | - | (475,763) | - | (139,285) | (1,935,418) | - | (1,935,418) |
| **Total comprehensive income for the year** | | **-** | **-** | **(1,320,370)** | **-** | **(475,763)** | **(14,067,978)** | **(139,285)** | **(16,003,396)** | **(55,775)** | **(16,059,171)** |
| SolGold Ecuador employee profit share | | - | - | - | - | - | (34,807) | - | (34,807) | - | (34,807) |
| New share capital subscribed | | 2,879,087 | 57,228,934 | - | - | - | - | - | 60,108,021 | - | 60,108,021 |
| Share issue costs (net of deferred tax) | | - | (1,384,412) | - | - | - | - | - | (1,384,412) | - | (1,384,412) |
| Options forfeited | | - | - | - | (1,113,882) | - | 1,113,882 | - | - | - | - |
| Value of shares and options issued to Directors, employees and consultants | | - | - | - | 1,156,832 | - | - | - | 1,156,832 | - | 1,156,832 |
| **Balance at 30 June 2020** | | **29,281,511** | **353,220,481** | **2,054,043** | **36,859,263** | **(581,656)** | **(133,331,591)** | **(5,015,878)** | **282,486,173** | **(498,139)** | **281,988,034** |
| Loss for the year | | - | - | - | - | - | (22,811,409) | - | (22,811,409) | (81,758) | (22,893,167) |
| Other comprehensive income | | - | - | 1,198,986 | - | (50,378) | - | 670,049 | 1,818,657 | - | 1,818,657 |
| **Total comprehensive income for the year** | | **-** | **-** | **1,198,986** | **-** | **(50,378)** | **(22,811,409)** | **670,049** | **(20,992,752)** | **(81,758)** | **(21,074,510)** |
| New share capital subscribed | 18 | 3,048,487 | 75,695,147 | - | - | - | - | - | 78,743,634 | - | 78,743,634 |
| Options exercised | 18 | 20,701 | 496,834 | - | - | - | - | - | 517,535 | - | 517,535 |
| Share issue costs (net of deferred tax) | 18 | - | (2,593,300) | - | - | - | - | - | (2,593,300) | - | (2,593,300) |
| Options forfeited | | - | - | - | (13,169,765) | - | 13,169,765 | - | - | - | - |
| Value of share and options issued to Directors, employees and consultants | 23 | - | - | - | 315,436 | - | - | - | 315,436 | - | 315,436 |
| Adjustment to retained earnings | | - | - | - | - | - | 725,366 | - | 725,366 | - | 725,366 |
| **Balance at 30 June 2021** | | **32,350,699** | **426,819,162** | **3,253,029** | **24,004,934** | **(632,034)** | **(142,247,869)** | **(4,345,829)** | **339,202,092** | **(579,897)** | **338,622,195** |

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



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## Company Statement of Changes in Equity

**For the year ended 30 June 2021**

| | Notes | Share capital US$ | Share premium US$ | Assets held at fair value through other comprehensive income US$ | Share-based payment reserve US$ | Accumulated loss US$ | Foreign currency translation reserve US$ | Total US$ |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 July 2019** | | **26,402,424** | **297,375,959** | **3,374,413** | **36,816,313** | **(107,624,653)** | **(5,006,473)** | **251,337,983** |
| Loss for the year | | - | - | - | - | (12,653,965) | - | (12,653,965) |
| Other comprehensive income | | - | - | (1,320,370) | - | - | - | (1,320,370) |
| **Total comprehensive income for the year** | | **-** | **-** | **(1,320,370)** | **-** | **(12,653,965)** | **-** | **(13,974,335)** |
| New share capital subscribed | | 2,879,087 | 57,228,934 | - | - | - | - | 60,108,021 |
| Share issue costs (net of deferred tax) | | - | (1,384,412) | - | - | - | - | (1,384,412) |
| Options forfeited | | - | - | - | (1,113,882) | 1,113,882 | - | - |
| Value of shares and options issued to Directors, employees and consultants | | - | - | | 1,156,832 | - | - | 1,156,832 |
| **Balance at 30 June 2020** | | 29,281,511 | **353,220,481** | **2,054,043** | **36,859,263** | **(119,164,736)** | **(5,006,473)** | **297,244,089** |
| Loss for the year | | - | - | - | - | (4,147,229) | - | (4,147,229) |
| Other comprehensive income for the year | | - | - | 1,198,986 | - | - | - | 1,198,986 |
| **Total comprehensive income for the year** | | **-** | **-** | **1,198,986** | **-** | **(4,147,229)** | **-** | **(2,948,243)** |
| New share capital subscribed | 18 | 3,048,487 | 75,695,147 | - | - | - | - | 78,743,634 |
| Options exercised | 18 | 20,701 | 496,834 | - | - | - | - | 517,535 |
| Share issue costs (net of deferred tax) | 18 | - | (2,593,300) | - | - | - | - | (2,593,300) |
| Options forfeited | | - | - | - | (13,169,765) | 13,169,765 | - | - |
| Value of shares and options issued to Directors, employees and consultants | 23 | - | - | - | 315,436 | - | - | 315,436 |
| Adjustment to retained earnings | | - | - | - | - | 725,366 | - | 725,366 |
| **Balance at 30 June 2021** | | **32,350,699** | **426,819,162** | **3,253,029** | **24,004,934** | **(109,416,834)** | **(5,006,473)** | **372,004,517** |

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



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## Consolidated and Company Statements of Cash Flows

**For the year ended 30 June 2021**

| | Notes | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss for the year | | (22,893,167) | (14,123,755) | (4,147,229) | (12,653,965) |
| Depreciation | 12 | 582,026 | 685,332 | 341,626 | 525,467 |
| Interest on lease liability | 20 | 67,730 | 173,679 | 62,787 | 161,410 |
| Interest on bridging loan | 21 | 371,275 | 248,303 | 371,275 | 248,303 |
| Interest on NSR | 21 | 9,619,242 | | - | |
| Interest on loan to Solgold Finance AG | | - | - | (4,519,889) | - |
| Effect of modification of lease terms | | - | (70,693) | - | (70,693) |
| Share based payment expense | 5 / 23 | 315,436 | 1,156,832 | 315,436 | 1,156,832 |
| Write-off of exploration expenditure | 13 | 4,353 | 218,163 | - | - |
| Foreign exchange (gain) / loss | | (1,790,028) | 1,679,382 | (1,797,341) | 1,673,710 |
| Movement in fair value of derivative liability | 22 | 613,746 | (279,913) | 613,746 | (279,913) |
| Deferred taxes | 15 | 151,173 | 1,103,409 | 64,375 | 1,103,409 |
| Non cash employee benefit expense – company funded loan plan | 14 | - | 402,082 | - | 402,082 |
| Accretion of interest – company funded loan plan | 14 | (449,613) | (439,246) | (449,613) | (439,246) |
| Decrease / (increase) in other receivables and prepayments | | (765,607) | (337,096) | 103,035 | (187,987) |
| (Decrease) / increase in trade and other payables | | 124,682 | 485,306 | (1,028,881) | 973,643 |
| **Net cash outflow from operating activities** | | **(14,048,752)** | **(9,098,215)** | **(10,070,673)** | **(7,386,948)** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Security deposit (payments) / refunds | | (126,407) | (29,950) | 42,829 | (36,779) |
| Exercise of Cornerstone Capital Resources warrants | 11(a) | (813,927) | - | (813,927) | - |
| Acquisition of property, plant and equipment | | (6,280,482) | (4,899,387) | (18,255) | (27,039) |
| Acquisition of exploration and evaluation assets | | (75,607,912) | (54,444,043) | - | - |
| Proceeds from payment to company funded loan plan | 14 | 1,065,245 | - | 1,065,245 | - |
| Loans advanced to subsidiaries | | - | - | (5,001,463) | - |
| Advances in investment in subsidiaries | | - | - | (34,155,941) | (59,255,734) |
| **Net cash outflow from investing activities** | | **(81,763,483)** | **(59,373,380)** | **(38,881,512)** | **(59,319,552)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Proceeds from the issue of ordinary share capital | 18 | 76,113,126 | 62,700,190 | 76,113,126 | 62,700,190 |
| Payment of issue costs | | (333,629) | (1,718,672) | (333,629) | (1,718,672) |
| Net proceeds from NSR financing | 21 | 84,380,422 | - | - | - |
| Payment of NSR costs | 21 | (2,318,598) | - | - | - |
| Proceeds from bridging loan | 21 | - | 14,815,000 | - | 14,815,000 |
| Repayments of lease liability | | (439,116) | (712,429) | (348,912) | (569,843) |
| **Net cash inflow from financing activities** | | **157,402,205** | **75,084,089** | **75,430,585** | **75,226,675** |
| | | | | | |
| **Net increase / (decrease) in cash and cash equivalents** | | **61,589,970** | **6,612,494** | **26,478,400** | **8,520,175** |
| Cash and cash equivalents at the beginning of year | 17 | 46,895,243 | 41,746,200 | 45,356,423 | 38,290,929 |
| Effect of foreign exchange on cash and cash equivalents | | 1,076,890 | (1,463,451) | 1,083,193 | (1,454,681) |
| **Cash and cash equivalents at end of year** | 17 | **109,562,103** | **46,895,243** | **72,918,016** | **45,356,423** |

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



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies**

SolGold Plc ("the Company" or "SolGold") is a mineral exploration and development company headquartered in Brisbane, Australia. The Company is a UK incorporated (on 11 May 2005), public limited company with company registration number 05449516. SolGold is dual listed on the London Stock Exchange and the Toronto Stock Exchange. The address of the Company's registered office is 1 King Street, London EC2V 8AU, United Kingdom.

**(a) Statement of compliance**

The consolidated financial statements and company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and their interpretations issued by the International Accounting Standards Board ("IASB"), in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements also comply with IFRS as issued by the IASB, as is required as a result of the company's listing on the TSX in Canada. The accounting policies set out below have been applied consistently throughout these consolidated financial statements.

**(b) Basis of preparation of financial statements and going concern**

The consolidated financial statements are presented in United States dollars ("US$"), rounded to the nearest dollar. Prior to 2019 consolidated financials have been previously in Australian dollars ("A$"). Refer to Note 1 (d) for further details relating to the foreign exchange translation.

The Company was incorporated on 11 May 2005. From incorporation the Group has prepared the annual consolidated financial statements in accordance with IFRS.

As at the year end the Company has cash on hand of US$109.6 million and net current assets of US$116.3 million. The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations in its history and, in common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. Based on the latest forecast, including all activities at both Cascabel and the regional Ecuadorian projects, approved by the Directors, funding will likely be raised within the next 12 months from the date of approving these financial statements. As such, the ability of the Group to continue as a going concern depends on its ability to secure this additional financing. While this situation gives rise to a material uncertainty and there can be no assurance the Company will be able to raise required financing in the future, 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. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

During the period the Company completed two successful equity raisings totalling US$78.8 million (Valuestone in November 2020 & Institutional and private investors in April 2021) and closed the Net Smelter Returns Financing ("NSR Financing") Agreement with Franco-Nevada Corporation ("Franco-Nevada") in September 2020. As part of the latter, the Group has received net funds of US$85 million following the repayment of the US$15 million Bridge Loan Agreement ("BLA"). The funds raised from the NSR Financing are ring fenced for the continued exploration and development work on the Cascabel licence area. This demonstrates the ability for the Company to raise funds when required.

Alongside these factors, 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.
SolGold's worst-case scenario considers a melt-down of financial markets, caused by a resurgence of the pandemic or other factors like unsustainable global debt levels or social unrest, followed by a prolonged economic crisis that is not conducive of further capital raises when necessary.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(b) Basis of preparation of financial statements and going concern**

In such a situation the Company would cease all exploration activities, terminate all technical services and dramatically reduce overheads 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. Under this worst-case scenario, the company would have funds sufficient at least until September 2023. As this is not the intention of the Directors a material uncertainty is recognised in relation to raising the additional funding and pursuing the current plan outlined in the latest forecast.

These factors indicate the existence of material uncertainties which may cast significant doubt on the Group's and Company's ability to continue as a going concern.

**(c) Basis of consolidation**

*(i) Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year.

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date on which control ceases.

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

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

*(ii) Transactions eliminated on consolidation*

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(d) Foreign currency**

*Translation into the functional currency*
Transactions entered into by Group entities in a currency other than the currencies of the primary economic environment in which they operate (the “functional currency”) are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are translated into the functional currency at the foreign exchange rate ruling as of that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the historical foreign exchange rate. Any resultant foreign exchange currency translation amount is taken to the profit and loss.

Management reconsiders the functional currency where there is a change in events or conditions used in initial determination. Where the assessment indicates that a change in functional currency is required, the change is applied prospectively from the date it is deemed to have occurred.

The functional currency of the parent entity and subsidiaries of the group are detailed in the table below:

| | Functional Currency 2021 | Functional Currency 2020 | Exchange rate at 30 June 2021 used in preparation of Financials | Exchange rate at 30 June 2020 used in preparation of Financials | Average exchange rate for the year ended 30 June 2021 | Average exchange rate for the year ended 30 June 2020 |
|---|---|---|---|---|---|---|
| **SolGold Plc** | **US$** | **US$** | **n/a** | **n/a** | **n/a** | **n/a** |
| Australian Resource Management (ARM) Pty Ltd | A$ | A$ | 0.7495 | 0.6899 | 0.7470 | 0.6710 |
| Acapulco Mining Pty Ltd | A$ | A$ | 0.7495 | 0.6899 | 0.7470 | 0.6710 |
| Central Minerals Pty Ltd | A$ | A$ | 0.7495 | 0.6899 | 0.7470 | 0.6710 |
| Solomon Operations Ltd | SBD$ | SBD$ | 0.1245 | 0.1716 | 0.1245 | 0.1298 |
| Honiara Holdings Pty Ltd | A$ | A$ | 0.7495 | 0.6899 | 0.7470 | 0.6710 |
| Guadalcanal Exploration Pty Ltd | A$ | A$ | 0.7495 | 0.6899 | 0.7470 | 0.6710 |
| SolGold Finance AG | US$ | - | n/a | - | n/a | - |
| SolGold Canadian Callco Corp. | CAD$ | CAD$ | 0.8067 | 0.7362 | 0.7804 | 0.7454 |
| SolGold Canadian Exchangeco Corp. | CAD$ | CAD$ | 0.8067 | 0.7362 | 0.7804 | 0.7454 |
| Exploraciones Novomining S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| Carnegie Ridge Resources S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| Green Rock Resources S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| Valle Rico Resources S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| Cruz del Sol S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| SolGold Ecuador S.A. | US$ | US$ | n/a | n/a | n/a | n/a |
| Novoproyectos-Sustentables S.A. | US$ | US$ | n/a | n/a | n/a | n/a |

*Translation into presentation currency*

The assets and liabilities of the entities are translated to the Group presentation currency being the US$ at rates of exchange ruling at the reporting date. Income and expense items are translated at average rates for the period. Any resultant foreign exchange currency translation amount is taken to other comprehensive income. On disposal of an entity, cumulative exchange difference are recognised in the income statement as part of the profit or loss on sale. Exchange differences recognised in profit or loss in Group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the overseas operation concerned are reclassified to other comprehensive income and accumulated in the foreign exchange reserve on consolidation.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(e) Property, plant and equipment**

*(i) Owned assets*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h) below).

*(ii) Leased assets*

Items of property, plant and equipment that are accounted for under IFRS 16 Leases are recognised when contracts are entered into at an amount equal to the corresponding lease liability (see accounting policy (s) below).

*(iii) Subsequent costs*

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

*(iv) Depreciation*

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each item of property, plant and equipment used in corporate and administrative operations. Depreciation is capitalised to exploration on a straight-line basis over the estimated useful lives of each item of property, plant and equipment used in exploration operations. The estimated useful lives of all categories of assets are:

| | |
|---|---|
| Office Equipment | 3 years |
| Furniture and Fittings | 5 years |
| Motor Vehicles | 5 years |
| Plant and Equipment | 5 years |
| Buildings | 12 years |
| Land | Not depreciated |

Depreciation charged on leased assets is charged to the statement of comprehensive income on a straight-line basis over the term of the lease.

The residual values and useful lives are assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the statement of comprehensive income.

**(f) Intangible assets (as per IFRS 6 - Exploration for and Evaluation of Mineral Resources)**

Costs incurred in relation to the acquisition of, or application for, a tenement area are capitalised where there is a reasonable expectation that the tenement will be acquired or granted. Where the Group is unsuccessful in acquiring or being granted a tenement area, any such costs are immediately expensed.

All other costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis as exploration and evaluation assets, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Exploration and evaluation assets are carried at historical cost less any impairment losses recognised.

Once the work completed to date on an area of interest is sufficient such that the technical feasibility and commercial viability of extracting the mineral resource has been determined, the property is considered to be an evaluated mineral property. Following determination of the technical feasibility and commercial viability of a mineral resource, the relevant expenditure is transferred from exploration and evaluation assets to evaluated mineral property.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(f) Intangible assets (continued)**

Further development costs are capitalised to evaluated mineral properties, if and only if, it is probable that future economic benefits associated with the item will flow to the entity; and the cost can be measured reliably. Cost is defined as the purchase price and directly attributable costs. Once the asset is considered to be capable of operating in a manner intended by management, commercial production is declared, and the relevant costs are depreciated. Evaluated mineral property is carried at cost less accumulated depreciation and accumulated impairment losses.

**(g) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

**(h) Impairment of non-financial assets**

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable the asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

Impairment reviews for deferred exploration costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. As the material value of the Group's property, plant and equipment is associated with the exploration and evaluation these are also considered within the impairment review. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and
- Sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

**(i) Share capital**

(i) Ordinary share capital

The Company's ordinary shares are classified as equity.

(ii) Shares issued to settle liabilities

The Group from time to time settles financial liabilities by issuing shares. The Group considers these equity instruments as 'consideration paid' and accordingly derecognises the financial liability.

The equity instruments issued are measured at fair value, with the difference being taken to the income statement, unless the creditor is also a direct or indirect shareholder and is acting in its capacity as direct or indirect shareholder. When the creditor is acting in capacity as a direct or indirect shareholder the value of shares issued is deemed to be the carrying value of the liability.



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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(j) Employee benefits**

*(i) Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied. Share based payments to non-employees are measured at the fair value of goods or services rendered or the fair value of the equity instrument issued, if it is determined the fair value of the goods or services cannot be reliably measured. Estimating fair value for share based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and model used for estimating fair value for share based payment transactions are disclosed in Note 22.

*(ii) Retirement benefits*

The Group accounts for its defined benefit obligations in Ecuador in accordance with the Ecuadorian labour code. Whilst this is not payable until an employee has rendered a minimum of 25 years served, the Ecuadorian subsidiaries accrue for this on a monthly basis. The balance of these contributions are valued through an actuary process every 6 months and contributions payable are charged to the statement of comprehensive income.

*(iii) Company Funded Loan Plan*

The Group has put in place a Company Funded Loan Plan ("CFLP") to provide financial assistance to employees in exercising share options. The financial assistance provided to employees is by way of a full recourse interest free loan. The CFLP is secured by the SolGold shares issued upon the exercise of share options under the CFLP to that employee.

CFLP loans to employees are initially recognised at fair value, which is determined by discounting loans to their net present value using the risk-free interest rate at the time the loan is granted and an estimated repayment schedule. Following initial recognition, they are carried at amortised cost using the effective interest rate method. Changes in the carrying value of the CFLP loans are recognised within interest income in the profit or loss. The cost of providing the benefit to employees is recognised as an employee expense in the profit or loss on a straight-line basis over the expected life of the CFLP loan.

Further details on the CFLP are disclosed in Note 14.

*(iv) Derivative Financial Instruments*

The Company has issued options that are exercisable in a currency other than the functional currency of the entity issuing. As such these options are treated as derivative liabilities which are measured initially at fair value and gains or losses on subsequent re-measurement are recorded in the profit or loss. This subsequent remeasurement is valued using the Monte Carlo method.

**(k) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

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

**(l) Trade and other payables**

Trade and other payables are not interest bearing and are stated at amortised cost, unless settled with shares as per (i) above. The effect of discounting is immaterial.



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(m) Financing costs and income**

*(i) Financing costs*

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method.

*(ii) Finance income*

Interest income is recognised in the statement of comprehensive income as it accrues, using the effective interest method.

**(n) Taxation**

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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

The Group has US$73,685,405 (2020: US$68,507,193) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses and may not be used to offset taxable income elsewhere in the Group. The subsidiaries neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

Further details on taxes are disclosed in Note 7.

**(o) Segment reporting**

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

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results and asset position are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities.

**(p) Project Financing / Farm-outs**

The Group, from time to time, enters into funding arrangements with third parties in order to progress specific projects. The Group accounts for the related exploration costs in line with the terms of the specific agreement. Costs incurred by SolGold plc are recognised as intangible assets within the financial statements. Costs incurred by third parties are not recognised by SolGold plc.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(q) Leases**

For any contracts entered into, the Group considers whether the contract is or contains a lease. For those contracts that fall within the exemptions of IFRS 16 and are classified as short term, these are charged as expenses on a straight-line basis over the period of the lease. For all other leases, the Group recognises a right-of-use asset ("ROUA") and a lease liability on the balance sheet.

The ROUA is measured at cost at an amount equal to the lease liability. The process to adopt this approach can be summarised as follows:

- Calculate the lease liability at commencement date of the lease. At the initial adoption of the standard this was calculated as at the date on initial application of IFRS 16.
- Set the ROUA as an amount equal to the lease liability in line with the above dates.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the implicit interest rate in the lease. Where the implicit rate cannot be easily determined the Groups incremental borrowing rate is used instead. As there is no implicit rate in the leases the Group has chosen to use 8% per the discount rate used in the recent economic project studies.

The Group depreciates the ROUA on a straight-line basis form the lease commencement date to the earlier of the end of the useful life of the ROUA or the end of the lease term.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. The liability is remeasured to reflect any reassessment or modification. Where the lease liability is remeasured, the corresponding adjustment is reflected in the, or profit and loss if the ROUA is already reduced to zero.

On the statement of financial position, ROUA have been included in property, plant and equipment and lease liabilities have been included in both current and non-current liabilities, under Lease Liability.

**(r) Financial Instruments**

*Recognition and Initial Measurement*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are recognised in the Group statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are only offset and the net amount reported in the consolidated statement of financial position and statement of comprehensive income when there is a currently enforceable legal right to offset the recognised amounts and the Group intends to settle on a net basis or realise the asset and liability simultaneously.

Financial instruments are generally measured at initial recognition fair value and adjusted for transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(r) Financial Instruments (continued)**

Financial assets

*(i)* *Financial assets at amortised cost*

Financial assets are measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principle amount outstanding.

Financial assets at amortised costs are subsequently measured using the effective interest (EIR) method and are subject to an impairment assessment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(ii) *Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)*

Upon initial recognition SolGold can elect to classify irrevocably its equity investments as equity instruments designated a fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

SolGold elected to classify irrevocably 'Investments in equity excluding subsidiaries' under this category.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on financial assets which are measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a twelve-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next twelve months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. Please refer to Note 14 for the CFLP.

Financial liabilities

The classification of financial liabilities at initial recognition depends on the purpose for which the financial liability was issued and its characteristics. All purchases of financial liabilities are recorded on trade date, being the date on which the Group becomes party to the contractual requirements of the financial liability. Unless otherwise indicated the carrying amounts of the Group's financial liabilities approximate to their fair values.

*Financial liabilities measured subsequently at amortised cost*

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated at FVTPL, are measured subsequently at amortised cost. The Group's financial liabilities comprise of trade and other payables, current and non-current lease liabilities and other financial liabilities (Franco-Nevada NSR Financing Agreement refer Note 21) which are measured at amortised cost.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(r) Financial Instruments (continued)**

*Financial liabilities measured at fair value through profit or loss*

Financial liabilities that are (i) held for trading, or (ii) designated by the entity as being at FVTPL are measured at fair value through profit or loss. The Group's financial liabilities at FVTPL comprise of the Derivative Liability associated with the share issuance to BHP in December 2019.

*Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired: or
- SolGold has transferred its right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through' arrangement; and either (a) SolGold has transferred substantially all the risks and rewards of the asset, or (b) SolGold has neither transferred nor retained substantially all the risks and rewards of the asset; but has transferred control of the asset.

A financial liability (in whole or in part) is derecognised when the Group has extinguished its contractual obligations, it expires or is cancelled. Any gain or loss on derecognition is taken to the statement of comprehensive income.

**(s) Accounting policies for the Company**

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:

*(i) Subsidiary investments*

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, and where the subsidiary does not reimburse the Company for assets that could be capitalised in accordance with IFRS 6, is recorded within investments in subsidiary undertakings. Where investments are passed down into the underlying operating subsidiaries where no reimbursement is expected this is recorded as investment in subsidiary undertakings.

*(ii) Intercompany loans*

Intercompany loans with its subsidiary (SolGold Finance AG) undertakings are measured in line with the Group's policy mentioned in (r) Financial instruments above. That is at amortised cost, with all subsequent measures using the effective interest method and are subject to an impairment assessment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Refer Note 1(v).

**(t) Nature and purpose of reserves**

*(i) Financial assets at fair value through other comprehensive reserve*

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as financial assets at fair value through OCI, are recognised in other comprehensive income and accumulated in a separate reserve within equity.

*(ii) Share-based payment reserve*

The share-based payment reserve is used to recognise:

- the grant date fair value of options issued to employees that have vested but not been exercised; and
- the grant date fair value of shares issued to employees.

*(iii) Foreign currency translation reserve*

Exchange differences arising on translation of foreign controlled entities where the functional currency differs from the presentational currency and are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(t) Nature and purpose of reserves (continued)**

*(iv) Other reserves*
This reserve is used to both adjust the actuarial assessed fair value for the defined benefit pension obligation linked to the Group's employees in Ecuador and to record the differences which may arise as a result of transactions with non-controlling interests that do not result in a loss of control.

**(u) Changes in accounting policies**

**New standards and amendments in the year**

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.

- IFRS 3 Business Combinations: Definition of a Business
- IFRS 9, IAS 39 & IFRS 7 Interest Rate Benchmark Reform
- IAS 1 & IAS 8 Definition of Material
- IFRS 16 Leases: COVID-19 Related Rent Concessions

Details of the impact that these standards had is detailed below. Other new and amended standards and Interpretations issued by the IASB do not impact the Group or Company as they are either not relevant to the Group's activities or require accounting which is consistent with the Group's current accounting policies.

**IFRS 3: Business Combinations**

In October 2018, the 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 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 is no material impact.

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

In October 2018, the 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.



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**Note 1 Accounting Policies (continued)**

**(u) Changes in accounting policies (continued)**

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.

***IFRS 16: Leases and COVID-19***
On 28 May 2020, the 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 is 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.

**(v) Critical Accounting Estimates and Judgements**

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

***Accounting Estimates***

*NSR royalty interest*

The NSR royalty has been valued using the amortised cost basis. IFRS 9 requires that amortised cost is calculated using the effective interest method, which allocates interest expense at a constant rate over the term of the instrument. The effective interest rate of a financial liability is calculated at initial recognition and is the rate that exactly discounts the estimated future cash flows through the expected life of the financial liability, based on the then current mine plan and project development study assumptions.

In the case of the Franco Nevada NSR royalty, the Company arrived at an effective interest rate ("EIR") of 11.84%. Total interest for the financial year is estimated at US$9,619,242, see Note 6. Should there be a 2% increase in the EIR this would have an impact on the accounts and increase the finance expenses by US$1,588,532.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 1 Accounting Policies (continued)**

**(v) Critical Accounting Estimates and Judgements (continued)**

***Accounting Judgements***

*Exploration and evaluation expenditure*

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

The carrying values of exploration and evaluation expenditure were assessed for indicators of impairment based on an estimation of the recoverability from expected future development and production. In forming this assessment, the Group considered the external Mineral Resources Estimate, the status of its permits and internal economic models and financing which supported the carrying value of the project. No triggers of impairment were identified at 30 June 2021. The Directors have carried out an assessment of the carrying values of deferred exploration and evaluation expenditure and any required impairment and is included in Note 13.

*Intercompany loan*

The Company has an intercompany loan with one of its Subsidiaries – SolGold Finance AG – that is the shareholder of the Group's main project at Cascabel and strategic land purchases in Ecuador.

The carrying values of exploration and evaluation expenditure for Cascabel were assessed for indicators of impairment based on an estimation of the recoverability from expected future development and production. In forming this assessment, the Company considered the external Mineral Resources Estimate, the status of its permits and internal economic models and financing which supported the carrying value of the project. No triggers of impairment were identified at 30 June 2021 on the carrying values of the Cascabel exploration and evaluation asset, which is directly linked to the repayment of the loans from SolGold Finance AG. All recovery strategies indicate that the loans will be fully recovered, therefore no loss allowances have been made.



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# Notes to the Financial Statements

**For the year ended 30 June 2021**

### Note 2 Segment Reporting

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

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total. The Group reports information to the Board of Directors along company lines. That is, the financial position of SolGold and each of its subsidiary companies is reported discretely, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below. The financial information of the subsidiaries that do not exceed the thresholds outlined above, and is therefore not reported separately, is aggregated as Other Subsidiaries.

| 30 June 2021 | Finance Income | Depreciation | Impairment of E&E | Loss for the year | Assets | Liabilities | Share Based Payments | Non-current asset additions |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | US$ |
| Cascabel project * | - | 104,200 | - | (545,050) | 237,525,826 | 3,153,210 | - | 46,446,578 |
| Other Ecuadorian projects | - | 136,175 | 4,353 | (1,525,313) | 89,212,722 | 1,968,707 | - | 29,288,209 |
| Other projects | 246 | 25 | - | (16,907) | 10,502,441 | 20,513 | - | 255,325 |
| Corporate | 454,329 | 341,626 | - | (20,805,897) | 119,372,036 | 113,148,400 | 315,436 | (42,829) |
| **Total** | **454,575** | **582,026** | **4,353** | **(22,893,167)** | **456,913,025** | **118,290,830** | **315,436** | **75,947,283** |

| 30 June 2020 | Finance Income | Depreciation | Impairment of E&E | Loss for the year | Assets | Liabilities | Share Based Payments | Non-current asset additions |
|---|---|---|---|---|---|---|---|---|
| | US$ | US$ | US$ | US$ | US$ | US$ | US$ | 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 |
| **Total** | **513,336** | **685,332** | **218,163** | **(14,123,753)** | **306,798,448** | **24,810,414** | **1,156,832** | **57,126,263** |

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

**Geographical information**

| Non-current assets | 2021 US$ | 2020 US$ |
|---|---|---|
| Australia | 16,285,847 | 20,299,052 |
| Solomon Islands | 433,708 | 231,744 |
| Ecuador | 315,676,943 | 236,488,493 |
| | **332,396,498** | **257,019,289** |

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



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 3 Operating Loss**

| | Group 2021 US$ | Group 2020 US$ |
|---|---|---|
| **The operating loss is stated after charging (crediting)** | | |
| Auditors' remuneration: | | |
| Amounts received or due and receivable by BDO (UK) for audit of the Company and Group's annual accounts | 270,116 | 212,382 |
| Amounts received or due and receivable by BDO (Ecuador) for the audit of the subsidiaries | 77,049 | 72,157 |
| Other non-audit services | | |
| - Agreed upon procedures on quarterly and half year financial statements | 103,686 | 97,864 |
| - Translation services | 27,585 | 64,661 |
| - Incorporation of SolGold Finance AG | 18,130 | - |
| - Tax Compliance - Ecuador | 5,000 | - |
| | | |
| Employee Expenses | 3,304,006 | 1,906,627 |
| Insurance (largely political risk) | 3,464,139 | 1,884,388 |
| Legal fees | 746,590 | 681,781 |
| Depreciation | 582,026 | 685,332 |
| Foreign exchange (gains)/losses | (1,790,028) | 1,679,382 |
| Share based payments (Note 22) | 315,436 | 1,156,832 |

**Note 4 Staff Numbers and Costs (averages for the year)**

| | Group 2021 | Group 2020 | Company 2021 | Company 2020 |
|---|---|---|---|---|
| Finance and administration | 37 | 39 | 14 | 19 |
| Technical – permanent | 456 | 424 | 7 | 8 |
| Technical - temporary | 329 | 164 | - | - |
| | **822** | **627** | **21** | **27** |

The aggregate payroll costs of employees were:

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| Wages and salaries | 23,566,670 | 18,435,276 | 5,020,454 | 2,952,026 |
| Contributions to superannuation | 191,064 | 103,384 | 191,064 | 103,384 |
| Share based payments | 315,436 | 1,156,832 | 315,436 | 1,156,832 |
| **Total staff costs** | **24,073,170** | **19,695,492** | **5,526,954** | **4,212,242** |

Included within total staff costs is US$20,176,654 (2020: US$16,466,874) which has been capitalised as part of deferred exploration costs.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 5 Remuneration of Key Management Personnel**

| | Basic Annual Salary US$ | Bonus US$ | Other Benefits[1] US$ | Pensions US$ | Total Remuneration US$ |
|---|---|---|---|---|---|
| **2021** | | | | | |
| **Directors** | | | | | |
| Keith Marshall[4] | 212,145 | - | - | - | 212,145 |
| Nicholas Mather (highest paid director)[6] | 827,381 | - | - | - | 827,381 |
| Brian Moller | 64,628 | - | - | - | 64,628 |
| Robert Weinberg[2] | 23,506 | - | - | - | 23,506 |
| James Clare | 61,824 | - | - | - | 61,824 |
| Jason Ward[3] | 304,352 | - | - | - | 304,352 |
| Liam Twigger | 93,075 | - | - | 8,972 | 102,047 |
| Elodie Grant Goodey[4] | 71,756 | - | - | - | 71,756 |
| Kevin O'Kane[4] | 51,202 | - | - | - | 51,202 |
| Maria Amparo Alban[4] | 47,326 | - | - | - | 47,326 |
| Other key management personnel[5] | 1,798,374 | 193,739 | - | 115,207 | 2,107,320 |
| **Total paid to key management personnel** | **3,555,569** | **193,739** | **-** | **124,179** | **3,873,487** |
| Other staff and contractors | 19,725,000 | 92,363 | 315,436 | 66,885 | 20,199,684 |
| **Total** | **23,280,569** | **286,102** | **315,436** | **191,064** | **24,073,171** |

[1] Other Benefits represents the fair value of the share options granted during the year based on the Black-Scholes model considering the effects of the vesting conditions.

[2] Robert Weinberg resigned as a Director effective 17 December 2020.

[3] Jason Ward's Basic Annual Consultancy Fees includes total remuneration paid for the year including payments prior to Director appointment.

[4] Elodie Grant Goodey was appointed as a non-executive Director on 17 July 2020. Keith Marshall, Kevin O'Kane and Maria Amparo Alban were all appointed as non-executive Directors on 21 October 2020.

[5] Other key management personnel consist of the aggregated remuneration of Karl Schlobohm (Company Secretary, retired in June 2021), Priy Jayasuriya (Chief Financial Officer, resigned in November 2020), Benn Whistler (Technical Services Manager), Chris Connell (Regional Exploration Manager), Peter Holmes (Director of Studies), Ingo Hofmaier (Interim Chief Financial Officer, Executive General Manager Projects and Corporate Finance), Nadine Dennison (Chief Human Resources Officer, resigned in March 2021), Peter Holmes (Director of Studies), Lisa Park (Metallurgy Manager, joined in March 2021), Steve Belohlawek (General Manager Underground Development and Mining, resigned in October 2020) and Eduardo Valenzuela (Executive General Manager of Studies, deceased).

[6] Nick Mather received a severance pay-out during 2021 upon retiring from the position of CEO.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 5 Remuneration of Key Management Personnel (continued)**

| | Basic Annual Salary US$ | Bonus US$ | Other Benefits[1] US$ | Pensions US$ | Total Remuneration US$ |
|---|---|---|---|---|---|
| **2020** | | | | | |
| **Directors** | | | | | |
| Nicholas Mather (highest paid director) | 400,162 | - | - | - | 400,162 |
| Brian Moller | 73,211 | - | - | - | 73,211 |
| Robert Weinberg | 46,755 | - | - | - | 46,755 |
| Craig Jones[3] | 46,331 | - | - | - | 46,331 |
| James Clare | 47,002 | - | - | - | 47,002 |
| Jason Ward[4] | 322,892 | - | - | - | 322,892 |
| Liam Twigger | 42,908 | - | 76,625 | 4,127 | 123,660 |
| Anna Legge[2] | 84,187 | - | - | 447 | 84,634 |
| Other key management personnel[5] | 1,067,381 | 38,595 | 928,599 | 77,185 | 2,111,760 |
| **Total paid to key management personnel** | **2,130,829** | **38,595** | **1,005,224** | **81,759** | **3,256,407** |
| Other staff and contractors | 16,265,851 | - | 151,608 | 21,625 | 16,439,084 |
| **Total** | **18,396,680** | **38,595** | **1,156,832** | **103,384** | **19,695,491** |

[1] Other Benefits represents the fair value of the share options granted during the year based on the Black-Scholes model considering the effects of the vesting conditions.

[2] Anna Legge resigned as a Director effective 13 November 2019.

[3]Craig Jones resigned as Director effective 25 June 2020.

[4] Jason Ward's Basic Annual Consultancy Fees includes total remuneration paid for the year including payments prior to Director appointment.

[5] Other key management personnel consist of the aggregated remuneration of Karl Schlobohm (Company Secretary), Priy Jayasuriya (Chief Financial Officer,), Benn Whistler (Technical Services Manager), Chris Connell (Regional Exploration Manager), Peter Holmes (Director of Studies), Ingo Hofmaier (Executive General Manager, Projects and Corporate Finance), Nadine Dennison (Chief Human Resources Officer) and Eduardo Valenzuela (Executive General Manager of Studies).

**Note 6 Finance Income and Costs**

| | Group 2021 US$ | Group 2020 US$ |
|---|---|---|
| Interest income | 4,962 | 74,090 |
| Accretion of Interest on company funded loan plan (Note 14) | 449,613 | 439,246 |
| **Finance income** | **454,575** | **513,336** |

| | Group 2021 US$ | Group 2020 US$ |
|---|---|---|
| General interest | 3,540 | 3,458 |
| Interest on lease liability | 67,730 | 173,679 |
| Interest on bridging loan | 371,275 | 248,303 |
| Interest on NSR | 9,619,242 | - |
| **Finance costs** | **10,061,787** | **425,440** |


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 7 Tax Expense**

**Factors affecting the tax charge for the current year**

SolGold's headquarters is in Australia and as the Company has its central management and control in Australia, the applicable tax rates are Australian. The tax credit for the period is lower than the credit resulting from the application of the standard rate of corporation tax in Australia of 30% (2020: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

| | Group 2021 US$ | Group 2020 US$ |
|---|---|---|
| **Tax reconciliation** | | |
| Loss before tax | (22,741,994) | (13,020,344) |
| Tax at 30% (2020: 30%) | (6,822,598) | (3,906,103) |
| **Add / (less) tax effect of:** | | |
| Permanent differences | 474,253 | 654,558 |
| Derecognise (Recognise) current year tax losses | 4,483,039 | - |
| Derecognise (Recognise) prior year losses | 7,879,110 | 2,668,255 |
| Derecognition of temporary differences | 378,687 | - |
| Prior year tax expense attributable to Ecuador | 6,504 | - |
| Current year tax expense attributable to Ecuador | 80,294 | |
| Prior period adjustments to true-up tax return | 10,979 | (16,180) |
| Other | 7,448 | (13,390) |
| Impact of tax rate differences | 2,500,519 | 116,269 |
| Impact of exchange rate differences | (8,847,062) | 1,600,000 |
| **Income tax (benefit) expense on loss** | **151,173** | **1,103,409** |
| **Components of tax (expense) / benefit on other comprehensive income comprise of:** | | |
| Valuation gains on investments held at fair value through OCI (see note 14) | 692,474 | (512,783) |
| **Income tax benefit / (expense) on other comprehensive income** | **692,474** | **(512,783)** |
| **Amounts recognised directly in equity** | | |
| Attributable to prior periods | 11,695 | - |
| Net deferred tax credited directly to equity | (768,544) | (590,626) |
| **Income tax benefit recognised directly in equity** | **(756,849)** | **(590,626)** |

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

**Factors that may affect future tax charges**

The Group has carried forward gross tax losses of approximately US$88.88 million (2020: US$68.5 million). These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group Company of various tax integrity measures applicable in the jurisdiction where the tax loss has been incurred. The jurisdictions in which tax losses have been incurred include Australia, Ecuador and the Solomon Islands. Tax losses in Australia (US$73.3 million) can be carried forward indefinitely while in Ecuador (US$15.51 million), tax losses may be carried forward and offset against profits in the following five years, provided that the amount offset does not exceed 25% of the year's profits.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 8 Loss Per Share**

| | 2021<br>Cents per share | 2020<br>Cents per share |
|---|---|---|
| Basic loss per share | (1.1) | (0.7) |
| Diluted loss per share | (1.1) | (0.7) |

| | 2021<br>US$ | 2020<br>US$ |
|---|---|---|
| **(a) Loss** | | |
| Loss used to calculate basic and diluted loss per share | (22,811,409) | (14,067,978) |
| | **Number of shares** | **Number of shares** |
| **(b) Weighted average number of shares** | | |
| **Used in calculating basic LPS** | **2,115,829,663** | **1,900,597,102** |
| Weighted average number of dilutive options | - | - |
| **Weighted average number of ordinary shares and potential ordinary shares used in calculating dilutive LPS** | **2,115,829,663** | **1,900,597,102** |

Options granted are not included in the determination of diluted earnings per share as they are considered to be anti-dilutive. These out of the money options may become dilutive in the future.



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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 9 Investments in Subsidiary Undertakings**

| [1] Reporting date is 31 December | Country of incorporation and operation | Registered Address | Principal activity | SolGold plc's effective interest 2021 | SolGold plc's effective interest 2020 |
|---|---|---|---|---|---|
| Australian Resource Management (ARM) Pty Ltd | Australia | Level 27, 111 Eagle Street<br>Brisbane, QLD, 4000<br>Australia | Exploration | 100% | 100% |
| Acapulco Mining Pty Ltd | Australia | Level 27, 111 Eagle Street<br>Brisbane, QLD, 4000<br>Australia | Exploration | 100% | 100% |
| Central Minerals Pty Ltd | Australia | Level 27, 111 Eagle Street<br>Brisbane, QLD, 4000<br>Australia | Exploration | 100% | 100% |
| Solomon Operations Ltd | Solomon Islands | c/- Morris & Sojnocki Chartered Accountants<br>1st Floor City Centre Building, Mendana Avenue, Honiara, Solomon Islands | Exploration | 100% | 100% |
| Honiara Holdings Pty Ltd | Australia | Level 27, 111 Eagle Street<br>Brisbane, QLD, 4000<br>Australia | Exploration | 100% | 100% |
| Guadalcanal Exploration Pty Ltd | Australia | Level 27, 111 Eagle Street<br>Brisbane, QLD, 4000<br>Australia | Exploration | 100% | 100% |
| Exploraciones Novomining S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Exploration | 85% | 85% |
| Carnegie Ridge Resources S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Exploration | 100% | 100% |
| Green Rock Resources S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Exploration | 100% | 100% |
| Valle Rico Resources S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Exploration | 100% | 100% |
| Cruz del Sol S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Exploration | 100% | 100% |
| SolGold Ecuador S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Services Management | 100% | 100% |
| Novoproyectos-Sustentables S.A.[1] | Ecuador | Avenida La Coruña E25-58 y San Ignacio,<br>Edificio Altana Plaza<br>piso 4, oficina 406<br>Quito, Ecuador | Project development | 100% | - |
| SolGold Canadian Callco Corp.[1] | Canada | 4500, 855 – 2nd Street S.W,<br>Calgary, Alberta T2P 4K7 | Investment | 100% | 100% |
| SolGold Canadian Exchangeco Corp. | Canada | 4500, 855 – 2nd Street S.W,<br>Calgary, Alberta T2P 4K7 | Investment | 100% | 100% |
| SolGold Finance AG | Switzerland | Baarerstrasse 21,<br>6300 Zug | Investment | 100% | - |


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 9 Investments in Subsidiary Undertakings (continued)**

| | **Investment in subsidiary undertakings**<br><br>**Investment**<br>US$ |
|---|---|
| **Cost** | |
| **Balance at 30 June 2019** | **235,685,568** |
| Acquisitions and advances in the year | 59,443,957 |
| **Balance at 30 June 2020** | **295,129,525** |
| Acquisitions and advances in the year[1] | 33,592,422 |
| Reallocation to SolGold Finance AG | (173,497,993) |
| **Balance at 30 June 2021** | **155,223,954** |
| **Amortisation and impairment losses** | |
| **Balance at 30 June 2019** | **(35,178,110)** |
| Change in currency variance | - |
| **Balance at 30 June 2020** | **(35,178,110)** |
| Change in currency variance | - |
| **Balance at 30 June 2021** | **(35,178,110)** |
| **Carrying amounts** | |
| Balance at 30 June 2019 | 200,507,458 |
| Balance at 30 June 2020 | 259,951,415 |
| **Balance at 30 June 2021** | **120,045,844** |

[1]During the year ended 30 June 2021, the intercompany loans between SolGold plc and Exploraciones Novomining S.A./SolGold Ecuador S.A. were reallocated to a newly established intermediary company (SolGold Finance AG).

**Note 10 Intercompany Loans with Subsidiaries**

| | **Intercompany Loans with Subsidiaries**<br>**Loan**<br>US$ |
|---|---|
| **Cost** | |
| **Balance at 30 June 2019** | **-** |
| Advances in the year | - |
| **Balance at 30 June 2020** | **-** |
| Reallocation of loans | 173,497,993 |
| BLA Offset | (15,619,579) |
| Advances in the year | 5,001,463 |
| Interest accrued in the year | 4,519,890 |
| **Balance at 30 June 2021** | **167,399,767** |
| **Amortisation and impairment losses** | |
| **Balance at 30 June 2019** | **-** |
| Additions | - |
| **Balance at 30 June 2020** | **-** |
| Additions | - |
| **Balance at 30 June 2021** | **-** |
| **Carrying amounts** | |
| Balance at 30 June 2019 | - |
| Balance at 30 June 2020 | - |
| **Balance at 30 June 2021** | **167,399,767** |


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**Note 10 Intercompany Loans with Subsidiaries (continued)**

In September 2020 SolGold plc transferred its investments and associated intercompany loans in ENSA (85%) and SolGold Ecuador S.A. (100%) to a newly established wholly-owned subsidiary called SolGold Finance AG.

Upon the transfer of the investments and associated intercompany loans from ENSA and SolGold Ecuador S.A. to SolGold Finance AG, a new back-to-back loan agreement was implemented between SolGold plc and SolGold Finance AG. The key terms of this new back-to-back loan agreement include:

- 10 year loan maturity period
- 3.5% annual interest rate, calculated daily
- Interest accrues and is due on or before 10 years, or thereafter by agreement between the parties
- SolGold plc has the ability to call the loan for repayment at any point on or before 10 years from the date of issue
- SolGold Finance AG may prepay the whole or any part of the advances made by SolGold plc at any point without notice, penalty or bonus

The Company has assessed the receivable and no loss allowances have been made, refer Note 1(v).

**Note 11 Investments**

**(a) Investments accounted for as financial assets held at fair value through OCI**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 US$ | 2020 US$ | 2021 US$ | 2020 US$ |
| **Movements in financial assets** | | | | |
| Opening balance at 1 July | 4,119,179 | 5,952,439 | 4,113,660 | 5,946,815 |
| Additions | 813,927 | - | 813,927 | - |
| Fair value adjustment through OCI | 1,891,936 | (1,833,260) | 1,891,459 | (1,833,155) |
| **Balance at 30 June** | **6,825,042** | **4,119,179** | **6,819,046** | **4,113,660** |

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

**(b) Fair value**

*Fair value hierarchy*

The following table details the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three-level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement being:

***Level 1***: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
***Level 2***: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
***Level 3***: Unobservable inputs for the asset or liability.

The fair values of financial assets 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 |
|---|---|---|---|---|
| **2021** | | | | |
| Financial assets held at fair value through OCI | 6,825,042 | - | - | 6,825,042 |
| **2020** | | | | |
| 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 30 June and therefore are classified as Level 1.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 12 Property, Plant and Equipment**

| | | | Group | | | | Company |
|---|---|---|---|---|---|---|---|
| | Land and Buildings US$ | Property, Plant and Equipment US$ | Motor Vehicles US$ | Office Equipment US$ | Furniture & Fittings US$ | Total US$ | Total US$ |
| **Cost** | | | | | | | |
| **Balance 30 June 2019** | **7,245,043** | **1,056,889** | **1,105,265** | **646,113** | **262,360** | **10,315,670** | **223,937** |
| Effect of foreign exchange on opening balance | - | 17,528 | (1,028) | (617) | (196) | 15,687 | 18,626 |
| Additions | 5,154,482 | 219,381 | - | 83,818 | 2,750 | 5,460,431 | 27,956 |
| IFRS 16 transition additions | - | 2,125,847 | - | - | - | 2,125,847 | 1,889,132 |
| Disposals | - | (515,540) | - | - | - | (515,540) | (515,540) |
| **Balance 30 June 2020** | **12,399,525** | **2,904,105** | **1,104,237** | **729,314** | **264,914** | **17,402,095** | **1,644,111** |
| Effect of foreign exchange on opening balance | - | 124,554 | 4,596 | 2,776 | 877 | 132,803 | 119,635 |
| Additions | 972,957 | 457,182 | - | 187,496 | 9,400 | 1,627,035 | 19,304 |
| IFRS 16 modifications | - | (12,645) | - | - | - | (12,645) | - |
| Disposals | - | - | (35,155) | - | - | (35,155) | - |
| **Balance 30 June 2021** | **13,372,482** | **3,473,196** | **1,073,678** | **919,586** | **275,191** | **19,114,133** | **1,783,050** |
| | | | | | | | |
| **Depreciation and impairment losses** | | | | | | | |
| **Balance 30 June 2019** | **-** | **(422,065)** | **(518,690)** | **(398,020)** | **(129,110)** | **(1,467,885)** | **(140,027)** |
| Effect of foreign exchange on opening balance | - | (47,832) | 1,025 | 642 | 196 | (45,967) | (8,358) |
| Depreciation charge for the year | - | (615,222) | - | (60,191) | (9,919) | (685,332) | (525,467) |
| Depreciation capitalised to exploration | - | (127,247) | (195,290) | (119,928) | (36,388) | (478,853) | - |
| Disposals | - | 216,932 | - | - | - | 216,932 | 216,932 |
| **Balance 30 June 2020** | **-** | **(995,434)** | **(712,955)** | **(577,497)** | **(175,221)** | **(2,461,107)** | **(456,920)** |
| Effect of foreign exchange on opening balance | - | (29,513) | (4,595) | (2,858) | (877) | (37,843) | (24,606) |
| Depreciation charge for the year | - | (482,064) | - | (93,615) | (6,347) | (582,026) | (341,626) |
| Depreciation capitalised to exploration | - | (123,839) | (188,182) | (37,907) | (36,264) | (386,192) | (1,048) |
| Disposals | - | - | 35,155 | - | - | 35,155 | - |
| **Balance 30 June 2021** | **-** | **(1,630,850)** | **(870,577)** | **(711,877)** | **(218,709)** | **(3,423,013)** | **(824,200)** |
| | | | | | | | |
| **Carrying amounts** | | | | | | | |
| At 30 June 2019 | 7,245,043 | 634,824 | 586,575 | 248,093 | 133,250 | 8,847,785 | 83,910 |
| At 30 June 2020 | 12,399,525 | 1,908,671 | 391,282 | 151,817 | 89,693 | 14,940,988 | 1,187,191 |
| **At 30 June 2021** | **13,372,482** | **1,842,346** | **203,101** | **207,709** | **56,482** | **15,682,120** | **958,850** |



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### Note 13 Intangible Assets

| | Group deferred exploration costs US$ |
|---|---|
| **Cost** | |
| **Balance at 30 June 2019** | **214,860,493** |
| Effect of foreign exchange on opening balances | (129,525) |
| Additions – expenditure | 53,121,969 |
| **Balance at 30 June 2020** | **267,852,937** |
| Effect of foreign exchange on opening balances | 667,247 |
| Additions - expenditure | 77,512,965 |
| **Balance at 30 June 2021** | **346,033,149** |
| | |
| **Impairment losses** | |
| **Balance at 30 June 2019** | **(37,378,621)** |
| Impairment Charge | (218,163) |
| **Balance at 30 June 2020** | **(37,596,784)** |
| Impairment Charge | (4,353) |
| **Balance at 30 June 2021** | **(37,601,137)** |
| | |
| **Carrying amounts** | |
| At 30 June 2019 | 177,481,872 |
| At 30 June 2020 | 230,256,153 |
| **At 30 June 2021** | **308,432,012** |

**Impairment loss**

A decision was made to expense US$4,353 (2020: US$218,163) of exploration expenditure associated with other tenements that were surrendered or lapsed during the year. An assessment of the carrying values of deferred exploration costs is provided below.

**Alpala project (85% Ownership)**

The Alpala project is located in Northern Ecuador, lying upon the gold rich section of 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 is a three-hour drive north of Quito, close to water, power supply and Pacific ports.

The Alpala Porphyry Copper-Gold-Silver Deposit, at a cut-off grade of 0.21% CuEq, comprises 2,663 Mt at 0.53% CuEq in the Measured plus Indicated categories, which includes 1,192 Mt at 0.72% CuEq in the Measured category and 1,470 Mt at 0.37% CuEq in the Indicated category. The Inferred category contains an additional 544 Mt at 0.31% CuEq.

The estimate comprises a contained metal content of 9.9 Mt Cu and 21.7 Moz Au in the Measured plus Indicated categories, which includes 5.7 Mt Cu and 15 Moz Au in the Measured category, and 4.2 Mt Cu and 6.6 Moz Au in the Indicated category. The Inferred category contains an additional 1.3 Mt Cu and 1.9 Moz Au.

Based on the above management have assessed that there are no indicators of impairment for the aggregate carrying value of US$228.41 million.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 13 Intangible Assets (continued)**

**SolGold 100% owned projects**

***Regional concessions granted for 100% SolGold Ecuador subsidiaries***

The four 100% owned subsidiary companies in Ecuador: Carnegie Ridge Resources S.A., Green Rock Resources S.A., Cruz del Sol S.A. and Valle Rico Resources S.A. hold 72 mining concessions in Ecuador that the companies were successful in bidding as part of the auction process in 2016 and 2017.

The Company has carried out initial exploration work programs on these concessions and delineated 13 priority projects, five of which have been elevated to drill ready status.

Based on the above management have assessed that there are no indicators of impairment for the aggregate carrying value of US$69.16 million.

***Acapulco Mining projects***

The main exploration project of Acapulco Mining Pty Ltd is the Mt Perry project. A comprehensive assessment of the project has identified the Upper Chinaman's Creek prospects as the highest priority high-grade opportunity. Ground access negotiations were initiated with the main landowner and preliminary access was granted in the 2020/21 financial year.

Based on the above management have assessed that there are no indicators of impairment for the aggregate carrying value of US$6.88 million.

***Central Minerals projects***

Central Minerals hold the Rannes project where recently completed exploration activities include:

- Work on the Rannes Project focused on plate modelling of VTEM data and commencement of the integration of 3DIP, VTEM and magnetic inversion model data
- Air-photo based litho-structural geological review and interpretation

Based on the above management have assessed that there are no indicators of impairment for the aggregate carrying value of US$3.55 million.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 14 Loan Receivables and Other Assets**

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| **Loan receivable and other current assets** | | | | |
| Company Funded Loan Plan Receivable | 6,495,930 | - | 6,495,930 | - |
| **Closing balance at the end of the reporting period** | **6,495,930** | **-** | **6,495,930** | **-** |

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| **Loan receivable and other non-current assets** | | | | |
| Security bonds | 1,457,324 | 1,329,571 | 756,332 | 800,586 |
| Company funded loan plan receivable | - | 6,373,398 | - | 6,373,398 |
| **Closing balance at the end of the reporting period** | **1,457,324** | **7,702,969** | **756,332** | **7,173,984** |
| **Company funded loan plan receivable** | | | | |
| Balance at beginning of reporting period | 6,373,398 | 6,496,407 | 6,373,398 | 6,496,407 |
| Additions – funds loaned under the plan | - | - | - | - |
| Proceeds received for payment of the loans during the period | (1,065,245) | - | (1,065,245) | - |
| Fair value adjustment recognised as an employee benefit expense | - | (402,082) | - | (402,082) |
| Accretion of interest | 449,613 | 439,246 | 449,613 | 439,246 |
| Effect of foreign exchange | 738,164 | (160,173) | 738,164 | (160,173) |
| **Balance at end of reporting period** | **6,495,930** | **6,373,398** | **6,495,930** | **6,373,398** |

The CFLP 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 CFLP. As at 30 June 2021 total repayments of US$1,065,245 have been received against the loans provided.

The key terms of this CFLP on the date the loans were granted were 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 (extended in the meantime).
- 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.

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 at the date of grant. 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 30 June 2021. The loan is a non-cash transaction, and accordingly the exposure to credit risk is low.

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 remained consistent. The 12-month extension of the loan resulted in an overall increase of US$402,082 in employee benefits expense. This fair value adjustment is represented in the above table and was recognised as an employee benefit expense.

At 30 June 2021 the loan has been reclassified as a current asset as there is less than 12 months for all payments to be made in full.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 14 Loan Receivables and Other Assets (continued)**

The Board of Directors in June 2021 resolved to extend the CFLP until the 31 December 2021.

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, Baarerstrasse 21, 6300 Zug, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

**Note 15 Deferred Taxation**

**Recognised deferred tax assets and liabilities**

| Group<br>2021 | Opening balance<br>US$ | Net charged to income<br>US$ | Net charged to other comprehensive income<br>US$ | Net charged to equity<br>US$ | Net movement on unwind / transfer<br>US$ | Closing balance<br>US$ |
|---|---|---|---|---|---|---|
| **Recognised deferred tax assets** | | | | | | |
| Carried forward tax losses | 7,184,409 | (7,184,409) | - | - | - | - |
| Accruals / provisions | 1,431,263 | (670,986) | - | 756,849 | - | 1,517,126 |
| **Potential benefit** | **8,615,672** | **(7,855,395)** | **-** | **756,849** | **-** | **1,517,126** |
| **Recognised deferred tax liabilities** | | | | | | |
| Financial assets held at fair value through other comprehensive income | (569,295) | 60,036 | (692,474) | - | - | (1,201,733) |
| Derivative liabilities | (67,340) | 110,654 | - | - | - | 43,314 |
| Exploration and evaluation assets | (2,302,332) | (296,921) | - | - | - | (2,599,253) |
| Foreign exchange gains/losses | (5,317,434) | 7,836,277 | - | - | - | 2,518,843 |
| IFRS 16 right of use asset | (359,271) | 80,974 | - | - | - | (278,297) |
| **Potential benefit** | **(8,615,672)** | **7,791,020** | **(692,474)** | **-** | **-** | **(1,517,126)** |
| **Net deferred taxes** | **-** | **(64,375)** | **(692,474)** | **756,849** | | **-** |
| **Deferred tax assets not recognised** | | | | | | |
| Unused tax losses | 5,369,347 | 20,150,640 | - | - | - | 25,519,987 |
| Temporary differences[1] | 8,962,905 | 378,687 | - | - | - | 9,341,592 |
| **Tax benefit** | **14,332,252** | **20,529,327** | **-** | **-** | **-** | **34,861,579** |

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



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 15 Deferred Taxation (continued)**

**Recognised deferred tax assets and liabilities (continued)**

| Group<br>2020 | Opening balance<br>US$ | Net charged to income<br>US$ | Net charged to other comprehensive income<br>US$ | Net charged to equity<br>US$ | Net movement on unwind / transfer<br>US$ | Closing balance<br>US$ |
|---|---|---|---|---|---|---|
| **Recognised deferred tax assets** | | | | | | |
| Carried forward tax losses | 10,029,422 | (2,845,013) | - | - | - | 7,184,409 |
| Accruals / provisions | 956,757 | (116,120) | - | 590,626 | - | 1,431,263 |
| **Potential benefit** | **10,986,179** | **(2,961,133)** | **-** | **590,626** | **-** | **8,615,672** |
| **Recognised deferred tax liabilities** | | | | | | |
| Financial assets held at fair value through other comprehensive income | (1,224,062) | 141,984 | 512,783 | - | - | (569,295) |
| Derivative liabilities | - | (67,340) | - | - | - | (67,340) |
| Exploration and evaluation assets | (2,223,619) | (78,713) | - | - | - | (2,302,332) |
| Foreign exchange gains/losses | (7,538,499) | 2,221,065 | - | - | - | (5,317,434) |
| IFRS 16 right of use asset | - | (359,272) | - | - | - | (359,272) |
| **Potential benefit** | **(10,986,179)** | **1,857,724** | **512,783** | **-** | **-** | **(8,615,673)** |
| **Net deferred taxes** | **-** | **(1,103,409)** | **512,783** | **590,626** | **-** | **-** |
| **Deferred tax assets not recognised** | | | | | | |
| Unused tax losses | 5,369,347 | 7,354,701 | - | - | - | 12,724,048 |
| Temporary differences[1] | 8,962,905 | - | - | - | - | 8,962,905 |
| **Tax benefit** | **14,332,252** | **7,354,701** | **-** | **-** | **-** | **21,686,953** |

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


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 15 Deferred Taxation (continued)**

**Recognised deferred tax assets and liabilities (continued)**

| Company<br><br><br>2021 | Opening balance<br><br>US$ | Net charged to income<br><br>US$ | Net charged to other comprehensive income<br>US$ | Net charged to equity | Closing balance<br><br>US$ |
|---|---|---|---|---|---|
| **Recognised deferred tax assets** | | | | | |
| Carried forward tax losses | 4,860,353 | (4,860,353) | - | - | - |
| Accruals / provisions | 363,929 | (60,916) | - | - | 303,013 |
| Capital raising costs | 977,865 | (615,239) | - | 756,849 | 1,119,475 |
| Other temporary differences | 20,083 | (9,044) | - | - | 11,039 |
| **Potential benefit** | **6,222,230** | **(5,545,552)** | **-** | **756,849** | **1,433,527** |
| | | | | | |
| **Recognised deferred tax liabilities** | | | | | |
| Financial assets held at fair value through other comprehensive income | (569,295) | 60,036 | (692,474) | - | (1,201,733) |
| Derivative liabilities | - | 43,313 | | | 43,313 |
| Foreign exchange gains / (losses) | (5,317,434) | 5,317,434 | - | - | - |
| IFRS 16 right of use asset | (335,501) | 60,394 | - | - | (275,107) |
| **Potential benefit** | **(6,222,230)** | **5,481,177** | **(692,474)** | **-** | **(1,433,527)** |
| | | | | | |
| **Net deferred taxes** | **-** | **(64,375)** | **(692,474)** | **756,849** | **-** |
| **Deferred tax assets not recognised** | | | | | |
| Unused tax losses | 5,347,495 | 16,758,127 | - | - | 22,105,622 |
| Unused capital losses | - | - | - | - | - |
| Temporary differences | - | 2,973,922 | - | - | 2,973,922 |
| **Tax benefit** | **5,347,495** | **19,732,049** | **-** | **-** | **25,079,544** |



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 15 Deferred Taxation (continued)**

**Recognised deferred tax assets and liabilities (continued)**

| Company<br>2020 | Opening balance<br>US$ | Net charged to income<br>US$ | Net charged to other comprehensive income<br>US$ | Net charged to equity<br>US$ | Closing balance<br>US$ |
|---|---|---|---|---|---|
| **Recognised deferred tax assets** | | | | | |
| Carried forward tax losses | 7,805,802 | (2,945,449) | - | - | 4,860,353 |
| Accruals / provisions | 30,994 | 332,935 | - | - | 363,929 |
| Capital raising costs | 894,532 | (507,293) | - | 590,626 | 977,865 |
| Other temporary differences | 31,232 | (11,149) | - | - | 20,083 |
| **Potential benefit** | **8,762,560** | **(3,130,957)** | **-** | **590,626** | **6,222,230** |
| | | | | | |
| **Recognised deferred tax liabilities** | | | | | |
| Financial assets held at fair value through other comprehensive income | (1,224,062) | 141,984 | 512,783 | - | (569,295) |
| Foreign exchange gains / (losses) | (7,538,499) | 2,221,065 | - | - | (5,317,434) |
| IFRS 16 right of use asset | - | (335,501) | | | (335,501) |
| **Potential benefit** | **(8,762,561)** | **2,027,548** | **512,783** | **-** | **(6,222,230)** |
| | | | | | |
| **Net deferred taxes** | **-** | **(1,103,409)** | **512,783** | **590,626** | **-** |
| **Deferred tax assets not recognised** | | | | | |
| Unused tax losses | 5,347,495 | 5,418,935 | - | - | 10,766,430 |
| Unused capital losses | - | - | - | - | - |
| Temporary differences | - | - | - | - | - |
| **Tax benefit** | **5,347,495** | **5,418,935** | **-** | **-** | **10,766,430** |

The deferred tax asset in respect of these items has not been recognised as future taxable profit is not anticipated within the foreseeable future.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

### Note 16 Other Receivables and Prepayments

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| Trade and other receivables | 6,807,738 | 2,110,654 | 1,341,539 | 70,139 |
| Taxes receivable | 431,101 | 245,565 | 206,001 | 117,071 |
| Prepayments | 1,219,655 | 527,697 | 391,076 | 526,987 |
| **Other receivables and prepayments** | **8,458,494** | **2,883,916** | **1,938,616** | **714,197** |

Other receivables represent Australian Goods and Services Tax receivable and deposits made to landowners in Ecuador for land purchases. Management have considered the expected credit loss on the deposits to landowners as immaterial and accordingly, no impairment has been recognised at 30 June 2021. As these land deposits are dependent on the Cascabel project, they are not impaired. There is no indication the Cascabel project will not go ahead.

### Note 17 Cash and Cash Equivalents

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| Cash at bank | 109,562,103 | 46,895,243 | 72,918,016 | 45,356,423 |
| **Cash and cash equivalents in the statement of cash flows** | **109,562,103** | **46,895,243** | **72,918,016** | **45,356,423** |

### Note 18 Allotted, Called-up and Fully Paid Share Capital and Reserves

**(a) Authorised Share Capital**

| | 2020 No. of Shares | 2020 Nominal Value £ |
|---|---|---|
| At 1 July 2019 – Ordinary shares | 3,368,228,400 | 33,682,284 |
| Previous years increase in authorised capital having expired | (1,521,907,367) | (15,219,074) |
| Increase in authorised share capital of £0.01 each on 20 September 2019 | 443,750,000 | 4,437,500 |
| Increase in authorised share capital of £0.01 each on 20 September 2019 | 615,440,300 | 6,154,403 |
| **At 30 June 2020 – Ordinary shares** | **2,905,511,333** | **29,055,113** |

| | 2021 No. of Shares | 2021 Nominal Value £ |
|---|---|---|
| At 1 July 2020 – Ordinary shares | **2,905,511,333** | **29,055,113** |
| Previous years increase in authorised capital having expired | (443,750,000) | (4,437,500) |
| Previous years increase in authorised capital having expired | (615,440,300) | (6,154,403) |
| Increase in authorised share capital of two-thirds of issued capital on 17 December 2020 | 1,230,880,689 | 12,308,807 |
| **At 30 June 2021 – Ordinary shares** | **3,077,201,722** | **30,772,017** |

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


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 18 Allotted, Called-up and Fully Paid Share Capital and Reserves (continued)**

**(b) Changes in Allotted, Called-up and Fully Paid Share Capital and Share Premium**

| | No. of Shares | Nominal Value US$ | Share Premium US$ | Total US$ |
|---|---|---|---|---|
| Ordinary shares of 1p each at 1 July 2019 | 1,846,321,033 | 26,402,424 | 297,375,959 | 323,778,383 |
| Shares issued at £0.2215 – BHP share issue 2 December 2019 | 77,000,000 | 995,225 | 18,456,842 | 19,452,067 |
| Shares issued at £0.215 – Placing share issue 5 June 2020 | 121,359,680 | 1,537,627 | 31,679,823 | 33,217,450 |
| Shares issued at £0.215 – PrimaryBid share issue 5 June 2020 | 4,813,526 | 60,987 | 1,241,838 | 1,302,825 |
| Shares issued at £0.215 – Directors share issue 9 June 2020 | 162,790 | 2,063 | 42,428 | 44,491 |
| Shares issued at £0.215 – Private Investor share issue 12 June 2020 | 21,440,186 | 269,041 | 5,516,387 | 5,785,428 |
| Shares issued at £0.215 – Additional Subscription share issue 12 June 2020 | 1,116,279 | 14,144 | 291,616 | 305,760 |
| Share issue costs charge to share premium account | - | - | (1,384,412) | (1,384,412) |
| **Ordinary shares of 1p at 30 June 2020** | **2,072,213,494** | **29,281,511** | **353,220,481** | **382,501,992** |

*Both Newcrest and BHP had anti-dilution rights under their respective share subscription agreements to subscribe for further shares to maintain their relevant interests of the share capital of SolGold.

| | No. of Shares | Nominal Value US$ | Share Premium US$ | Total US$ |
|---|---|---|---|---|
| Ordinary shares of 1p each at 1 July 2020 | 2,072,213,494 | 29,281,511 | 353,220,481 | 382,501,992 |
| Shares issued at $0.42 – Valuestone 12 November 2020 | 11,900,000 | 156,579 | 4,843,421 | 5,000,000 |
| Shares issued at £0.255 – Placing share issue 28 April 2021 | 204,922,643 | 2,846,328 | 69,735,022 | 72,581,350 |
| Shares issued at £0.255 – Directors share issue 28 April 2021 | 1,543,858 | 21,440 | 525,276 | 546,716 |
| Shares issued at £0.255 – Retail Offer share issue 28 April 2021 | 1,736,437 | 24,140 | 591,428 | 615,568 |
| Shares issued at £0.25 – Exercise of employee options 15 June 2021 | 1,500,000 | 20,701 | 496,834 | 517,535 |
| Share issue costs charge to share premium account | - | - | (2,593,300) | (2,593,300) |
| **Ordinary shares of 1p at 30 June 2021** | **2,293,816,433** | **32,350,699** | **426,819,162** | **459,169,861** |

**(c) Other Reserves**

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| Financial assets held at fair value through other comprehensive income | 3,253,029 | 2,054,043 | 3,253,029 | 2,054,043 |
| Share based payment reserve | 37,174,699 | 36,859,263 | 37,174,699 | 36,859,263 |
| Other reserves | (632,034) | (581,656) | - | - |
| **Total Other reserves** | **39,795,694** | **38,331,650** | **40,427,728** | **38,913,306** |

**Capital management**

Management controls the capital of the Group in order to generate long-term shareholder value and ensure that the Group can fund operations and continue as a going concern. Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include share issues and debt considerations. Given the nature of the Group's current activities the entity will remain dependant on equity funding in the short to medium term until such time as the Group becomes self-financing from the commercial production of mineral resources.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 19 Trade and Other Current Payables**

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 838,753 | 1,953,358 | 744,927 | 1,502,250 |
| Other payables | 3,834,338 | 2,859,642 | 229,315 | 251,161 |
| Accrued expenses | 3,174,559 | 1,247,868 | 501,152 | 863,530 |
| **Trade and other current payables** | **7,847,650** | **6,060,193** | **1,475,394** | **2,616,941** |

Trade and other payables are measured at amortised cost. The decrease in trade payables is mainly due to the decrease in corporate administration costs associated with legal, accounting and consultancy fees in relation to the Franco-Nevada Bridging Loan and NSR Financing Agreement, and the unsuccessful CGP takeover offer incurred during the year ended 30 June 2020.

The increase in accrued expenses for the Group mainly relates to the increase in Drilling costs for the year ended 30 June 2021, as the COVID-19 restrictions eased and additional drilling commenced on the Regional projects.

**Note 20 Lease Liabilities**

| | Group 2020 US$ | Group 2019 US$ | Company 2020 US$ | Company 2019 US$ |
|---|---|---|---|---|
| **Current liability** | | | | |
| Lease liability | 335,749 | 314,524 | 319,275 | 222,109 |
| **Balance at the end of the reporting period** | **335,749** | **314,524** | **319,275** | **222,109** |
| | | | | |
| **Non current liability** | | | | |
| Lease liability | 607,214 | 875,141 | 607,214 | 853,175 |
| **Balance at the end of the reporting period** | **607,214** | **875,141** | **607,214** | **853,175** |

***Right-of-Use assets***

| | Group Property, Plant & Equipment US$ | Company Property, Plant & Equipment US$ |
|---|---|---|
| At 1 July 2020 | 1,226,384 | 1,118,339 |
| Additions | - | - |
| Depreciation | (377,241) | (296,342) |
| Disposals / effect of modification to lease terms[1] | (12,645) | - |
| Foreign exchange movements | 95,029 | 95,029 |
| **At 30 June 2021** | **931,527** | **917,026** |

***Lease liabilities***

| | Group Property, Plant & Equipment US$ | Company Property, Plant & Equipment US$ |
|---|---|---|
| At 1 July 2020 | 1,189,665 | 1,075,284 |
| Additions | | |
| Interest expense | 67,730 | 62,787 |
| Non-cash movement / Effect of modification to lease terms[1] | (12,645) | - |
| Lease payments | (394,337) | (304,132) |
| Foreign exchange movements | 92,550 | 92,550 |
| **At 30 June 2021** | **942,963** | **926,489** |

[1] Non-cash movements include the modification to the Quito office lease monthly rent charge.



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 21 – Borrowings**

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| **Current liability** | | | | |
| Bridging loan | - | 15,000,000 | - | 15,000,000 |
| Capitalised interest | - | 248,303 | - | 248,303 |
| **Balance at the end of the reporting period** | - | **15,248,303** | **-** | **15,248,303** |
| **Bridging loan** | | | | |
| Balance at beginning of reporting period | 15,248,303 | - | 15,248,303 | - |
| Additions – funds received under the loan | - | 14,815,000 | - | 14,815,000 |
| Legal fees reimbursed to Franco Nevada on receipt of loan funds | | 185,000 | | 185,000 |
| Capitalised interest | 371,275 | 248,303 | 371,275 | 248,303 |
| Repayment of loan | (15,619,578) | - | (15,619,578) | - |
| **Balance at end of reporting period** | **-** | **15,248,303** | **-** | **15,248,303** |

| | Group 2021 US$ | Group 2020 US$ | Company 2021 US$ | Company 2020 US$ |
|---|---|---|---|---|
| **Non-current liability** | | | | |
| Net Smelter Royalty | 106,574,217 | - | - | - |
| **Balance at the end of the reporting period** | 106,574,217 | **-** | **-** | **-** |
| **NSR Financing** | | | | |
| 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 | (2,318,598) | - | - | - |
| Capitalised interest | 9,619,242 | - | - | - |
| **Balance at end of reporting period** | **106,574,217** | **-** | **-** | **-** |


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**Note 21 – Borrowings (continued)**

On 11 September 2020, Franco-Nevada advanced to SolGold US$100 million, the 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 ("FVTPL"). Following further analysis, Management has elected not to measure the hybrid instrument at FVTPL but rather to measure the host debt at amortised cost and the embedded derivative at FVTPL.
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 30 June 2021 Consolidated 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 net smelter returns 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
- Buy-back option: 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 NSR financing agreement included an upscale option at the Group's control. The option expired during the financial year.
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 EIR was calculated using the available development plan at the time of recognising the NSR and results in a discount rate of 11.84% (real).
The buy-back option is considered an embedded derivative which needs to be separately accounted for as it is not closely related due to the variability associated with the arrangement arising from movements in commodity pricing and/or changes in the mine plan and other technical assumptions, which are not otherwise compensated in the option pricing. As such, it would be required to be accounted for as a separate instrument in accordance with IFRS 9. However, it would only have value to the extent that it would be likely that the option is in the money and hence a derivative asset will only be recognised when it has value and is considered material.
Management have assessed that the fair value of this embedded derivative is currently expected to be nil or immaterial, as there is no expectation or likelihood that the buy-back option will be exercised by SolGold. Given that long term commodity prices (contrary to recent increases in spot commodity prices) have seen minimal movements and the underlying mine plan and operation assumptions are unchanged in the absence of a new economic project study, the option is not in the money.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 22 – Financial liabilities**

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 US$ | 2020 US$ | 2021 US$ | 2020 US$ |
| **Movements in financial liabilities** | | | | |
| Balance at 1 July | 2,312,254 | - | 2,312,254 | - |
| Additions | - | 2,592,167 | - | 2,592,167 |
| Fair value adjustment through profit or loss | 613,746 | (279,913) | 613,746 | (279,913) |
| **Balance at 30 June** | **2,926,000** | **2,312,254** | **2,926,000** | **2,312,254** |

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 |
|---|---|---|---|---|
| **2021** | | | | |
| Derivative liability at fair value through profit or loss | - | - | 2,926,000 | 2,926,000 |
| **2020** | | | | |
| 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 | 2021 £0.37 Options 30 June 2021 |
|---|---|
| Number of options | 19,250,000 |
| Share price at issue date | £0.285 |
| Exercise price | £0.370 |
| Expected volatility | 63.879% |
| Time to expiry | 3.43 years |
| Expected dividends | 0.00% |
| Risk-free interest rate (short-term) | (0.16%) |
| Fair value | $0.152 |
| Valuation methodology | Monte Carlo Value |

| For the financial year ended 30 June 2021 | US$ |
|---|---|
| Derivative liability valuation recognised in statement of comprehensive income | 613,746 |



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

### Note 23 Share Options

At 30 June 2021 the Company had 106,875,000 options outstanding for the issue of ordinary shares (2020: 185,162,000).

**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 with the Company, when a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately. The Company prohibits key management personnel from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally two 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 3,000,000 options granted during the year ended 30 June 2021 (2020: 30,900,000).

On 2 March 2021, the Company issued 3,000,000 unlisted share options over ordinary shares of the Company to an employee in line with an executive service agreement. The options are exercisable at £0.36 and expire on 2 March 2024.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 23 Share Options (continued)**

| Date of grant | Exercisable from | Exercisable to | Exercise prices | Number granted | Number at 30 June 2021 |
|---|---|---|---|---|---|
| 5 July 2018 | The options vested immediately, and exercisable through to 4 July 2021 | 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 | 72,375,000[1] |
| 20 December 2018 | The options vested immediately, and exercisable through to 20 December 2021 | 20 December 2021 | £0.60 | 11,375,000 | 5,000,000[2] |
| 2 December 2019[3] | 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 |
| 2 March 2021 | The options vested immediately and exercisable through to 2 March 2024 | 2 March 2024 | £0.36 | 3,000,000 | 3,000,000 |
| | | | | **123,750,000** | **106,875,000** |

[1]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 7,500,000 additional options expired due to employees' resignations.

[2]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 and Mr Robert Weinberg were forfeited due to their resignations.

[3]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.


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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 23 Share Options (continued)**

| Date of grant | Exercisable from | Exercisable to | Exercise prices | Number granted | Number at 30 June 2020 |
|---|---|---|---|---|---|
| 9 August 2017 | The options vest on the earlier of: (a) 18 months, or (b) a Change of Control Transaction | 8 August 2020 | £0.60 | 46,750,000 | 44,500,000 |
| 9 August 2017 | The options vested immediately and exercisable through to 8 August 2020 | 8 August 2020 | £0.60 | 12,000 | 12,000 |
| 5 July 2018 | The options vested immediately, and exercisable through to 4 July 2020 | 4 July 2020 | £0.40 | 21,250,000 | 18,250,000 |
| 5 July 2018 | The options vested immediately, and exercisable through to 4 July 2021 | 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 | 79,875,000 |
| 20 December 2018 | The options vested immediately, and exercisable through to 20 December 2021 | 20 December 2021 | £0.60 | 11,375,000 | 11,375,000 |
| 20 September 2019 | The options vested immediately and exercisable through to 20 December 2021 | 20 December 2021 | £0.60 | 3,150,000 | 3,150,000 |
| 2 December 2019[3] | 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 |
| | | | | **193,412,000** | **185,162,000** |

**Share-based payments**

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

| | Weighted average exercise price 2021 | Number of options 2021 | Weighted average exercise price 2020 | Number of options 2020 |
|---|---|---|---|---|
| Outstanding at the beginning of the year | £0.54 | 185,162,000 | £0.57 | 160,262,000 |
| Exercised during the year | £0.25 | 1,500,000 | - | - |
| Lapsed during the year | £0.60 | 72,062,000 | - | - |
| Forfeited during the year | £0.60 | 7,725,000 | £0.50 | (6,000,000) |
| Granted during the year | £0.36 | 3,000,000 | £0.36 | 30,900,000 |
| Outstanding at the end of the year | £0.53 | 106,875,000 | £0.54 | 185,162,000 |
| Exercisable at the end of the year | £0.53 | 106,875,000 | £0.54 | 183,662,000 |

The options outstanding at 30 June 2021 have an exercise price of £0.25, £0.36, £0.37, £0.40 and £0.60 (2020: £0.25, £0.37, £0.40 and £0.60) and a weighted average contractual life of 1.03 years (2020: 1.32 years).



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 23 Share Options (continued)**

**Share-based payments (continued)**

Share options held by Directors are as follows:

| Share options held | At 30 June 2021 | At 30 June 2020 | Option Price | Exercise Period |
|---|---|---|---|---|
| **Nicholas Mather** | - | 26,250,000 | 60p | 28/01/19 – 08/08/20 |
| | 5,000,000 | 5,000,000 | 60p | 20/12/18 – 20/12/21 |
| **Brian Moller** | - | 3,750,000 | 60p | 28/01/19 – 08/08/20 |
| | - | 1,425,000 | 60p | 20/12/18 – 20/12/21 |
| **Robert Weinberg** | - | 2,250,000 | 60p | 28/01/19 – 08/08/20 |
| | - | 900,000 | 60p | 20/12/18 – 20/12/21 |
| **Craig Jones** | - | 2,250,000 | 60p | 28/01/19 – 08/08/20 |
| | - | 900,000 | 60p | 20/12/18 – 20/12/21 |
| **James Clare** | - | 3,150,000 | 60p | 20/12/18 – 20/12/21 |
| **Jason Ward** | - | 5,000,000 | 60p | 28/07/17 – 08/08/20 |
| | 5,000,000 | 5,000,000 | 60p | 06/11/18 – 06/11/21 |
| **Liam Twigger** | - | 3,150,000 | 60p | 20/09/19 – 20/12/21 |

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

| Share options held at 30 June 2021 | Share options held at 30 June 2020 | Option price | Exercise periods |
|---|---|---|---|
| - | 34,500,000 | £0.60 | Vests on the earlier of 18 months from date of grant or a Change of Control Transaction, as defined under the Company's ESOP Rules. |
| - | 10,012,000 | £0.60 | Vests on the earlier of 18 months from date of grant or a Change of Control Transaction, as defined under the Company's ESOP Rules. |
| - | 18,250,000 | £0.40 | Exercisable through to 04/07/2020 |
| 250,000 | 250,000 | £0.60 | Exercisable through to 04/07/2021 |
| 72,375,000 | 79,875,000 | £0.60 | Exercisable through to 06/11/2021 |
| 5,000,000 | 11,375,000 | £0.60 | Exercisable through to 20/12/2021 |
| - | 3,150,000 | £0.60 | Exercisable through to 20/12/2021 |
| 19,250,000 | 19,250,000 | £0.37 | Exercisable through to 02/12/2024 |
| 7,000,000 | 7,000,000 | £0.25 | Exercisable through to 26/04/2023 |
| - | 1,500,000, | £0.25 | Exercisable through to 26/04/2023 |
| 3,000,000 | - | £0.36 | Exercisable through to 02/03/2024 |
| **106,875,000** | **185,162,000** | | |



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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 23 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.

| | 2021 | |
|---|---|---|
| **Fair value of share options and assumptions** | **£0.25 Options 27 April 2020[1]** | **£0.36 options 2 March 2021** |
| Number of options | 1,500,000 | 3,000,000 |
| Share price at issue date | £0.26 | £0.223 |
| Exercise price | £0.25 | £0.36 |
| Expected volatility | 60.548% | 64.407% |
| Option life | 3.00 years | 3.00 years |
| Expected dividends | 0.00% | 0.00% |
| Risk-free interest rate (short-term) | 0.14% | 0.10% |
| Fair value | £0.107 | £0.065 |
| Valuation methodology | Black-Scholes | Black-Scholes |

| **For the financial year ended 30 June 2021** | **US$** | **US$** | **Total US$** |
|---|---|---|---|
| Share based payments expense recognised in statement of comprehensive income | 47,377 | 268,059 | **315,436** |

[1]These options were initially granted on 27 April 2020 and vested over a 4-month period, which spread over 2 financial years

The calculation of the volatility of the share price on the above options was based on the Company's daily closing share price over the two or three-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 Financial Statements

**For the year ended 30 June 2020**

**Note 23 Share Options (continued)**

**Share-based payments (continued)**

| **Fair value of share options and assumptions** | **£0.25 Options 27 April 2020** | **2020 £0.25 Options 27 April 2020** | **£0.60 Options 20 September 2019** |
|---|---|---|---|
| Number of options | 1,500,000 | 7,000,000 | 3,150,000 |
| Share price at issue date | £0.26 | £0.26 | £0.2315 |
| Exercise price | £0.25 | £0.25 | £0.60 |
| Expected volatility | 60.548% | 60.548% | 56.112% |
| Option life | 3.00 years | 3.00 years | 2.25 years |
| Expected dividends | 0.00% | 0.00% | 0.00% |
| Risk-free interest rate (short-term) | 0.14% | 0.14% | 0.51% |
| Fair value | £0.107 | £0.107 | £0.0195 |
| Valuation methodology | Black-Scholes | Black-Scholes | Black-Scholes |

| **For the financial year ended 30 June 2020** | **US$** | **US$** | **US$** | **Total US$** |
|---|---|---|---|---|
| Share based payments expense recognised in statement of comprehensive income | 151,608 | 928,599 | 76,625 | **1,156,832** |
| Share based payments expense to be recognised in future periods | 47,377 | - | - | **47,377** |

The calculation of the volatility of the share price on the above options was based on the Company's daily closing share price over the two or three-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 Financial Statements

**For the year ended 30 June 2021**

**Note 24 Financial Instruments (Group and Company)**

***Financial instruments by category (Group)***

| Financial assets | Loans and receivables | | Financial assets held at fair value through OCI | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cash and cash equivalents | 109,562,103 | 46,895,243 | - | - |
| Loans receivable and other non-current assets | 1,457,324 | 7,702,969 | - | - |
| Loans receivable and other current assets | 6,495,930 | - | - | - |
| Equity investments | - | - | 6,825,042 | 4,119,179 |
| **Total financial assets** | **117,515,357** | **54,598,212** | **6,825,042** | **4,119,179** |

| Financial liabilities | Financial liabilities at amortised cost | | Financial liabilities at fair value through profit or loss | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Trade and other payables | 7,847,650 | 6,060,193 | - | - |
| Derivative liability | - | - | 2,926,000 | 2,312,254 |
| NSR | 106,574,217 | - | - | - |
| Bridging Loan | - | 15,248,302 | - | - |
| Lease liabilities | 942,963 | 1,189,665 | - | - |
| **Total financial liabilities** | **115,364,830** | **22,498,160** | **2,926,000** | **2,312,254** |

***Financial instruments by category (Company)***

| Financial assets | Loans and receivables | | Financial assets held at fair value through OCI | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Cash and cash equivalents | 72,918,016 | 45,356,423 | - | - |
| Loans receivable and other non-current assets | 756,332 | 7,173,984 | - | - |
| Loans receivable and other current assets | 6,495,930 | - | - | - |
| Investment in subsidiaries | 120,045,844 | 259,951,415 | | - |
| Loans with subsidiaries | 167,399,767 | | | |
| Equity investments | - | - | 6,819,046 | 4,113,660 |
| **Total financial assets** | **367,615,889** | **312,481,822** | **6,819,046** | **4,113,660** |

| Financial liabilities | Financial liabilities at amortised cost | | Financial liabilities at fair value through profit or loss | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Trade and other payables | 1,475,395 | 2,616,941 | - | - |
| Derivative liability | - | - | 2,926,000 | 2,312,254 |
| Bridging loan | - | 15,248,303 | - | - |
| Lease liabilities | 926,489 | 1,075,284 | - | - |
| **Total financial liabilities** | **2,401,884** | **18,940,528** | **2,926,000** | **2,312,254** |

If required, the Board of Directors determines the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign currency risk and liquidity risk, each of which is discussed below. The main credit risk is the non-collection of loans and other receivables which include refunds and tenement security deposits. There were no overdue receivables at year end.

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

There have been no changes in financial risks from the previous year.During the years ended 30 June 2021 and 2020 no trading in commodity contracts was undertaken.



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 24 Financial Instruments (Group and Company) (continued)**

***Market risk***

*Interest rate risks*

The Group's and Company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve months' maximum duration. The increase/decrease of 2% in interest rates will impact the Group's income statement by a gain/loss of US$2,191,242 and the Company's income statement by US$1,458,360. The Group considers that a +/- 2% movement in interest rates represents reasonable possible changes.

*Foreign currency risk*

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations which require funds to be maintained in currencies other than the functional currency of operation; and
- Translation exposures in respect of investments in overseas operations which have functional currencies other than United States dollars.

Currency risk in respect of non-functional currency expenditure is reviewed by the Board.

The table below shows the extent to which Group companies have monetary assets and liabilities in different currencies. Foreign exchange differences on retranslation of such assets and liabilities are taken to the statement of comprehensive income.

| **Group** | **Functional currency of entity** | | | |
|---|---|---|---|---|
| **Net financial assets / (liabilities)** | **AUD** | **USD** | **SBD** | **TOTAL** |
| **2021** | | | | |
| Australian dollar (AUD) | 67,499 | 2,052,268 | - | 2,119,767 |
| Solomon Island dollar (SBD) | 6,302 | - | - | 6,302 |
| Canadian dollar (CAD) | - | 1,771,005 | - | 1,771,005 |
| Great British pound (GBP) | - | 3,129,986 | - | 3,129,986 |
| Swiss franc (CHF) | - | 13,988 | - | 13,988 |
| | **73,801** | **6,967,247** | **-** | **7,410,148** |

| **Group** | **Functional currency of entity** | | | |
|---|---|---|---|---|
| **Net financial assets / (liabilities)** | **AUD** | **USD** | **SBD** | **TOTAL** |
| **2020** | | | | |
| Australian dollar (AUD) | 64,837 | 195,588 | - | 260,425 |
| Solomon Island dollar (SBD) | 10,164 | - | - | 10,164 |
| Canadian dollar (CAD) | - | 6,338 | - | 6,338 |
| Great British pound (GBP) | - | 37,372,191 | - | 37,372,191 |
| | **75,001** | **37,574,117** | **-** | **37,649,118** |



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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 24 Financial Instruments (Group and Company) (continued)**

| **Company** | | **Functional currency of entity** | | |
|---|---|---|---|---|
| **Net financial assets / (liabilities)** | **AUD** | **USD** | **SBD** | **TOTAL** |
| **2021** | | | | |
| Australian dollar (AUD) | - | 1,960,513 | - | 1,960,513 |
| Canadian dollar (CAD) | - | 1,762,803 | - | 1,762,803 |
| Great British pound (GBP) | - | 3,129,986 | - | 3,129,986 |
| | **-** | **6,853,302** | **-** | **6,853,302** |

| **Company** | | **Functional currency of entity** | | |
|---|---|---|---|---|
| **Net financial assets / (liabilities)** | **AUD** | **USD** | **SBD** | **TOTAL** |
| **2020** | | | | |
| Australian dollar (AUD) | - | 195,588 | - | 195,588 |
| Canadian dollar (CAD) | - | 6,338 | - | 6,338 |
| Great British pound (GBP) | - | 37,372,191 | - | 37,372,191 |
| | **-** | **37,574,117** | **-** | **37,574,117** |

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Australian dollar (AUD) and the Great British Pound (GBP). A 10% increase in the A$/US$ and GBP/US$ exchange rates would give rise to a change of approximately US$583,306 (2020: US$4,181,402) in the Group net assets and reported earnings. A 10% decrease in the A$/US$ and GBP/US$ exchange rates would give rise to a change of approximately US$477,250 (2020: US$3,421,147). The Group does not hedge foreign currency exposures and manages net exposures by buying and selling foreign currencies at spot rates where necessary. In respect of other monetary assets and liabilities held in currencies other than United States dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

***Credit risk***

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits and loans receivable under the CFLP.

The banks and their credit ratings the Group had cash accounts with at 30 June 2021 were US$311,081 in cash accounts with Macquarie Bank Limited (BBB) in Australia, US$15,430 in cash accounts with the ANZ Bank (AA-) in Australia, US$103,222,860 in cash accounts with Westpac Bank (AA-) in Australia, US$6,302 in cash accounts with ANZ Bank (AA-) in Honiara, Solomon Islands, US$5,584,646 in cash accounts with Banco Guayaquil (AAA-) in Ecuador, US$342,206 in cash accounts with Produbanco (B) in Ecuador, US$52,378 in cash accounts with Lloyds Bank (A+), US$13,988 in cash accounts with Credit Suisse (A-) in Switzerland, and US$13,215 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date is the carrying value of these assets and was US$118,020,597 (2020: US$50,497,702).

The Company is also exposed to credit risk due to the cash balance it holds directly. It is also exposed to credit risk on the CFLP receivable. At 30 June 2021, the company had US$72,918,016 in cash and cash equivalents (2020: US$45,356,423) and US$6,495,930 of CFLP receivable (2020: US$6,373,398). The maximum exposure to credit risk at the reporting date was US$79,413,946 (2020: US$51,729,821).

Credit risk is managed by dealing with banks with high credit ratings assigned by international credit rating agencies. Furthermore, funds are deposited with banks of high standing in order to obtain market interest rates. Credit risk over the Company funded loan plan is reduced due to the loan being secured by shares.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 24 Financial Instruments (Group and Company) (continued)**

***Liquidity risks***

The Group and Company raises funds as required on the basis of budgeted expenditure for the next 12 to 24 months, dependent on a number of prevailing factors. Funds are generally raised in capital markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the project. The success or otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro-economic outlook, project prospectivity, operational risks and other factors from time to time. When funds are sought, the Group balances the costs and benefits of equity financing versus alternate financing options. Funds are provided to local sites bi-monthly, based on the sites' forecast expenditure.

All liabilities held by the Group and Company are contractually due and payable within 1 year, excluding the non-current lease liability payments and NSR financing agreement which are greater than 12 months.

*Fair values*

In the Directors' opinion, there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments. The classes of financial instruments are the same as the line items included on the face of the statement of financial position and have been analysed in more detail in notes to the accounts.

All the Group's financial assets, with the exception of investments held at fair value through other comprehensive income are categorised as other financial assets at amortised cost.

**Note 25 Commitments**

The Group also has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Group.

The combined commitments of the Group related to its granted tenement interests are as follows:

| Location | Up to 12 Months | 13 Months to 5 Years | Later than 5 Years |
|---|---|---|---|
| Ecuador | 3,065,430 | 12,261,720 | - |
| Solomon Islands | 3,320,000 | - | - |
| Queensland | 285,225 | 379,216 | - |
| | **6,670,655** | **12,640,936** | - |

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Group has the option to negotiate new terms or relinquish the tenements. The Group also has the ability to meet expenditure requirements by joint venture or farm in agreements.


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## Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 26 Related Parties**

**(a) Group**

Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated.

a) Transactions with Directors and Director-Related Entities

(i) The Company had a commercial agreement with Samuel Capital Pty Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2021 US$827,381 was paid or payable to Samuel (2020: US$400,162). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is US$nil (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 provision of administrative services, IT infrastructure, 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 year ended 30 June 2021 US$223,400 was paid or payable to DGR Global (2020: US$239,820). The total amount outstanding at year end was US$15,464 (2020: US$30,941). The agreement between DGR Global and SolGold was not extended in March 2021 and only very limited services are on-charged by DGR Global to SolGold after that date.

(iii) Mr Brian Moller (a Director), is a partner in the Australian firm HopgoodGanim lawyers. For the year ended 30 June 2021, HopgoodGanim were paid or payable US$72,456 (2020: US$160,217) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was US$nil (2020: US$47,657).

(iv) Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the year ended 30 June 2021, Bennett Jones were paid or payable US$486,246 (2020: US$537,453) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at year end was US$nil (2020: US$202,128)

Share and Option transactions of Directors are shown under Notes 5 and 22.

**(b) Company**

The Company has related party relationships with its subsidiaries (see Note 9 and Note 10), Directors and other key personnel (see Notes 5 and 20).

*Subsidiaries*

The Company has an investment in subsidiaries balance of US$120,045,844 (2020: US$251,739,663). The transactions during the year have been included in Note 9.

The Company also has an intercompany loan with SolGold Finance AG with a balance of US$167,399,767 (2020: US $nil). The transactions during the year have been included at Note 10.

**(c) Controlling party**

In the Directors' opinion there is no ultimate controlling party.



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# Notes to the Financial Statements

**For the year ended 30 June 2021**

**Note 27 Contingent Assets and Liabilities**

A 2% NSR is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US$4 million. Fifty percent (50%) of the royalty can be purchased for US$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US$3 million 90 days following a production decision. The smelter royalty is considered to be a contingent liability as the Group has not yet completed a pre-feasibility study at 30 June 2021 as such there is significant uncertainty over the timing of any payments that may fall due.

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 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 . 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 30 June 2021, Cornerstone's equity interest in ENSA had not been diluted below 10%.

The amount receivable from CESA at 30 June 2021 was $40,603,042 (2020: $31,034,075). 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 contingent assets and liabilities at 30 June 2021 (2020: nil).

**Note 28 Subsequent Events**

On 7 September 2021 the Company announced its intention to relinquish 10 of the 72 concessions held within the Company's four 100% owned subsidiaries in Ecuador. The company is required to impair these 10 concessions in-line with International Financial Reporting Standards (IAS 36). The impairment charges of US$3.1 million are immaterial compared to the asset base of the Company.

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



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Certain information contained in this announcement would have been deemed inside information.

## ABOUT SOLGOLD

SolGold is a leading resources company focussed on the discovery, definition and development of world-class copper and gold deposits. In 2018, SolGold's management team was recognised by the "Mines and Money" Forum as an example of excellence in the industry and continues to strive to deliver objectives efficiently and in the interests of shareholders. SolGold is aggressively exploring the length and breadth of this highly prospective and gold-rich section of the Andean Copper Belt which is currently responsible for c40% of global mined copper production.

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

### *Dedicated stakeholders*

SolGold employs a staff of over 800 employees of whom 98% are Ecuadorean. This is expected to grow as the operations expand at Alpala, and in Ecuador generally. SolGold focusses its operations to be safe, reliable and environmentally responsible and maintains close relationships with its local communities. SolGold has engaged an increasingly skilled, refined and experienced team of geoscientists using state of the art geophysical and geochemical modelling applied to an extensive database to enable the delivery of ore grade intersections from nearly every drill hole at Alpala. SolGold has over 80 geologists on the ground in Ecuador exploring for economic copper and gold deposits.

### *About Cascabel and Alpala*

The Alpala deposit is the main target in the Cascabel concession, located on the northern section of the heavily endowed Andean Copper Belt, the entirety of which is 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 within the Cascabel concession in northern Ecuador, an approximately three-hour drive on sealed highway north of the capital Quito, close to water, power supply and Pacific ports.


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Having fulfilled its earn-in requirements, SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in ENSA (Exploraciones Novomining S.A.) which holds 100% of the Cascabel concession covering approximately 50km$^2$. The junior equity owner in ENSA is required to repay 15% of costs since SolGold's earn in was completed, from 90% of its share of distribution of earnings or dividends from ENSA or the Cascabel concession. It is also required to contribute to development or be diluted, and if its interest falls below 10%, it shall reduce to a 0.5% NSR royalty which SolGold may acquire for US$3.5million.

***SolGold's Regional Exploration Drive***

SolGold is using its successful and cost-efficient blueprint established at Alpala, and Cascabel generally, to explore for additional world class copper and gold projects across Ecuador. SolGold is the largest and most active concessionaire in Ecuador.

The Company wholly owns four other subsidiaries active throughout the country that are now focussed on thirteen high priority gold and copper resource targets, several of which the Company believes have the potential, subject to resource definition and feasibility, to be developed in close succession or even on a more accelerated basis compared to Alpala.

SolGold is listed on the London Stock Exchange and Toronto Stock Exchange (LSE/TSX: SOLG). The Company has on issue a total of 2,293,816,433 fully paid ordinary shares and 105,125,000 share options.

***Quality Assurance / Quality Control on Sample Collection, Security and Assaying***

SolGold operates according to its rigorous Quality Assurance and Quality Control (QA/QC) protocol, which is consistent with industry best practices.

Primary sample collection involves secure transport from SolGold's concessions in Ecuador, to the ALS certified sample preparation facility in Quito, Ecuador. Samples are then air freighted from Quito to the ALS certified laboratory in Lima, Peru where the assaying of drill core, channel samples, rock chips and soil samples is undertaken. SolGold utilises ALS certified laboratories in Canada and Australia for the analysis of metallurgical samples.

Samples are prepared and analysed using 100g 4-Acid digest ICP with MS finish for 48 elements on a 0.25g aliquot (ME-MS61). Laboratory performance is routinely monitored using umpire assays, check batches and inter-laboratory comparisons between ALS certified laboratory in Lima and the ACME certified laboratory in Cuenca, Ecuador.

In order to monitor the ongoing quality of its analytical database, SolGold's QA/QC protocol encompasses standard sampling methodologies, including the insertion of certified powder blanks, coarse chip blanks, standards, pulp duplicates and field duplicates. The blanks and standards are Certified Reference Materials supplied by Ore Research and Exploration, Australia.

SolGold's QA/QC protocol also monitors the ongoing quality of its analytical database. The Company's protocol involves Independent data validation of the digital analytical database including search for sample overlaps, duplicate or absent samples as well as anomalous assay and survey results. These are routinely performed ahead of Mineral Resource Estimates and Feasibility Studies. No material QA/QC issues have been identified with respect to sample collection, security and assaying.

Reviews of the sample preparation, chain of custody, data security procedures and assaying methods used by SolGold confirm that they are consistent with industry best practices and all results stated in this announcement have passed SolGold's QA/QC protocol.


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The data aggregation method for calculating Copper Equivalent (CuEq) for down-hole drilling intercepts and rock-saw channel sampling intervals are reported using copper equivalent (CuEq) cut-off grades with up to 10m internal dilution, excluding bridging to a single sample and with minimum intersection length of 50m.

Copper Equivalent is currently calculated (assuming 100% recovery of copper and gold) using a Gold Conversion Factor of 0.751 (CuEq = Cu + Au x 0.751), calculated from a current nominal copper price of US$3.30/lb and a gold price of US$1,700/oz.

**See www.solgold.com.au for more information. Follow us on twitter @SolGold plc**

## CAUTIONARY NOTICE

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

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

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

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking information, including but not limited to: transaction risks; general business, economic, competitive, political and social uncertainties; future prices of mineral prices; accidents, labour disputes and shortages and other risks of the mining industry. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to, risks relating to the ability of exploration activities (including assay results) to accurately predict mineralization; errors in management's geological modelling and/or mine development plan; capital and operating costs varying significantly from estimates; the preliminary


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nature of visual assessments; delays in obtaining or failures to obtain required governmental, environmental or other required approvals; uncertainties relating to the availability and costs of financing needed in the future; changes in equity markets; inflation; the global economic climate; fluctuations in commodity prices; the ability of the Company to complete further exploration activities, including drilling; delays in the development of projects; environmental risks; community and non-governmental actions; other risks involved in the mineral exploration and development industry; the ability of the Company to retain its key management employees and skilled and experienced personnel; and those risks set out in the Company's public documents filed on SEDAR at www.sedar.com. Accordingly, readers should not place undue reliance on forward-looking information. The Company does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

The Company and its officers do not endorse, or reject or otherwise comment on the conclusions, interpretations or views expressed in press articles or third-party analysis, and where possible aims to circulate all available material on its website.


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