

# ANNUAL REPORT

2013/14



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# CORPORATE INFORMATION

## DIRECTORS

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Alan Martin (CEO and Managing Director) – appointed  
Managing Director 8 October 2013  
Nicholas Mather (Executive Director)  
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# CHAIRMAN'S STATEMENT

On behalf of the Board of Directors of SolGold, I take pleasure in presenting the Annual Report for 2014.

It has been a busy year for the Company as it has continued to focus the majority of its efforts on the exploration of Cascabel, its flagship copper gold porphyry project in Ecuador.

After securing the necessary Governmental drilling clearances and permits, SolGold has been able to carry out an active drilling program and now holds an 85% interest in Exploraciones Novomining S.A. ("ENSA"), an Ecuadorean registered company, which holds 100% of the Cascabel concession in northern Ecuador. Cornerstone Capital Resources Inc. ("Cornerstone") currently holds the other 15% of ENSA.

The Cascabel project is located in north-western Ecuador in an under-explored northern section of the richly endowed Andean Copper Belt.

The Alpala Prospect exhibits surface mineralisation and alteration patterns indicative of a porphyry copper gold system, and has a similar footprint to large porphyry systems around the world.

Some 8 holes have been completed in the past year and drilling results from the Alpala Prospect to date have been highly encouraging and indicate the widespread nature of the mineralisation. Hole 9 is expected to commence in November. It is important to note that drilling to-date only covers approximately 10-20% of the area from North West Alpala to South East Alpala.

The Company commissioned an Orion 3D IP survey on the Alpala grid which commenced on 3 August 2014 and this was completed during the first week of September 2014. Final processing of the Orion 3D "Deep Earth Imaging" IP geophysical data is near completion at the time of writing.

The work undertaken over the past 12 months has allowed the Company to refine our geological model for porphyry copper-gold mineralisation, and the initial Orion IP results have reinforced our view that significant targets exist at Central Alpala, North West Alpala and South East Alpala. Other targets, including the Rio Cachao area, have also been identified and the work undertaken to date suggests that the mineralisation encountered in Holes 5, 7 and 8 is only a small part of the broader Alpala target complex.

Our specialist consultants maintain high prospectivity for both large open pit and underground targets at Alpala, and the appointment of an expert contractor to manage ongoing metallurgical test work for the Cascabel Project is imminent.

SolGold has a number of other smaller projects in its portfolio, including in Australia and in the Solomon Islands. In the Solomon Islands, a soil geochemical survey and 3D modelling of magnetic data has been approved at Kuma. The Australian and Solomon Islands projects are either being advanced or joint ventured.

The Company continues to receive proposals to participate in new projects, and a number are actively being assessed. If any of these proposals represent a high quality gold-copper opportunity, they will be pursued vigorously.

SolGold's continued aim is to advance a portfolio of exploration assets and deliver shareholder growth through the discovery of gold and copper deposits. On behalf of the Board, I would like to thank you for your support of the Company and I look forward to bringing you further news as our exploration efforts continue.

Yours faithfully



Chairman

# STRATEGIC REPORT

## OPERATIONS REPORT

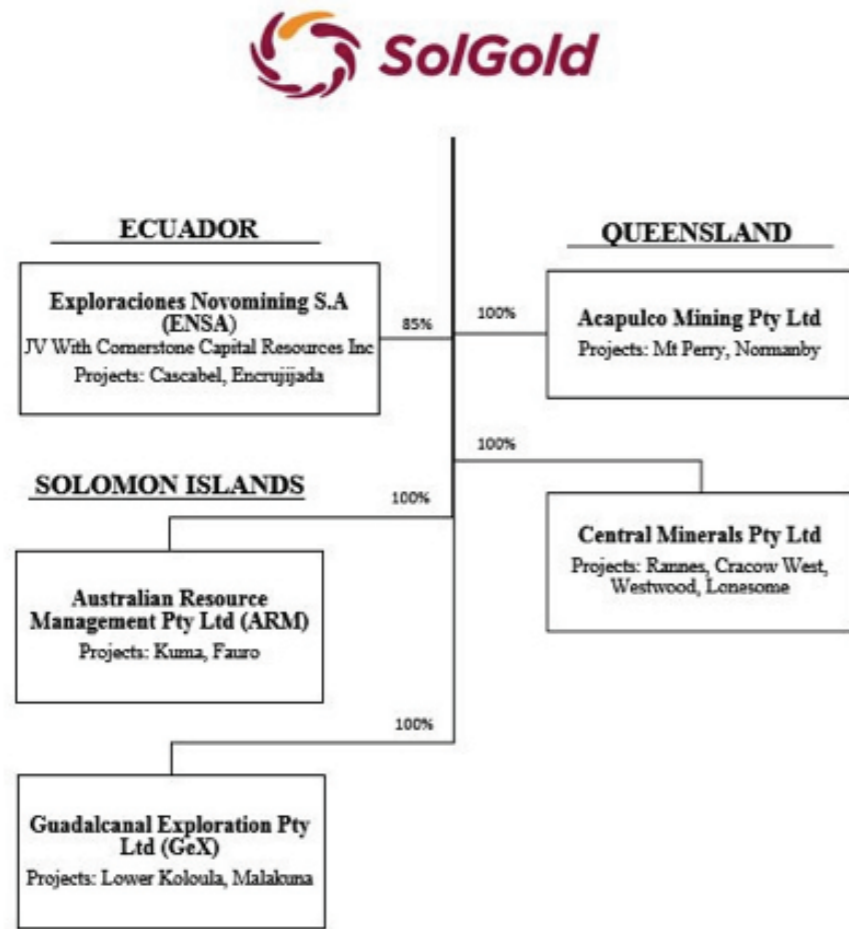


Figure 1 - SolGold Corporate Structure

\* As at 30 June 2014 SolGold had an 85% interest in ENSA. On 24 February 2014 SolGold had satisfied conditions and increased its interest to 85% of ENSA.

# STRATEGIC REPORT

## Corporate Strategy

The Company's corporate strategy is to:

- Create substantial wealth for its shareholders by exploring, discovering and defining large inventories of, but not limited to, copper and gold metal.
- Primary focus on copper and gold.
- Target regions with world class deposits.
- Target grass roots level exploration opportunities to enable low cost entry into projects.
- Adopt a disciplined and systematic approach to exploration. Maximise shareholder funds on "in the ground" exploration expenditure as a proportion of the total budget in order to generate high-quality results and provide shareholders with "bang for buck".
- Secure additional exploration projects by the application for new tenements and/or farm-in style agreements.
- Undertake an on-going review of potentially 'value accretive' opportunities that are presented to the company from time to time.
- Respect for the Communities and Environment in which we operate.
- Maintain a strong focus on Health and Safety for our employees and contractors.

SolGold has a commitment to Corporate Social Responsibility and has active community programs in its areas of exploration. SolGold also has a commitment to environmental responsibility and undertakes, as appropriate, environmental baseline studies and rehabilitation programs as part of its exploration programs.



Figure 2 - SolGold areas of interest.

## Exploration Strategy

The Company's exploration strategy includes the following elements:

- Capitalise on the company's track record of success in the discovery of mineral resources.
- Detailed due diligence of project opportunities.
- A disciplined approach to the evaluation of projects to generate exploration datasets that may include all or some of the following exploration activities: geological mapping, stream, soil and rock chip geochemical sampling, geophysical surveying (Magnetics, Radiometrics and Induced Polarisation techniques).
- Generation of drill targets to test ore deposit models based on exploration datasets.
- Drill testing targets to define potentially economic mineral resources that the Company can take to feasibility study stage.

SolGold has a track record of experience at both executive and operations management and board levels to define and develop mineral resources from discovery through to feasibility and development.

Table 1 – SolGold exploration projects

PROJECT	LOCATION	STYLE	OWNERSHIP
Cascabel JV	Ecuador	Copper Gold Porphyry	JV, SolGold (85% interest)
Rannes	Queensland, Australia	Disseminated and Vein Gold	100% owned
Mt Perry	Queensland, Australia	Porphyry and Vein Gold	100% owned
Normanby	Queensland, Australia	Gold Copper Porphyry	100% owned
Cracow West	Queensland, Australia	Epithermal Gold	100% owned
Westwood	Queensland, Australia	Gold Copper Porphyry and PGE Layered Gabbros	100% owned
Lonesome	Queensland, Australia	Epithermal Gold	100% owned
Fauro	Solomon Islands	Epithermal Gold and Gold Copper Porphyry	100% owned
Kuma	Solomon Islands	Copper Gold Porphyry	100% owned
Lower Koloula	Solomon Islands	Copper Gold Porphyry	100% owned
Malakuna	Solomon Islands	Copper Gold Porphyry	100% owned

## ECUADOR

### Cascabel Project (85% interest)

#### Location

180 km north of the capital Quito, Ecuador

#### Ownership

Exploraciones Novomining S.A (ENSA) holds 100% of Cascabel concession. SolGold owns 85% of ENSA.

#### Tenement Area

50 km<sup>2</sup>

#### Primary Targets

Porphyry copper-gold plus intermediate- and high-sulphidation epithermal deposits

The Cascabel concession is geographically located in northwest Ecuador in the province of Imbabura, situated 180 km by road north of the capital city of Quito and 24 km west-southwest of the city of Tulcan that is located on the border of Ecuador with Colombia. Northern Ecuador lies within the relatively under-explored northern section of the richly endowed Andean Copper Belt, which extends from Chile in the south to Colombia in the north and then north-west into Panama. In this northern sector of the Andean trend, some of the major deposits include the 982 million tonnes at 0.89% Cu Junin copper project located some 60 km to the south-west of Cascabel, the 905 million tonnes at 0.92 g/t Au La Colosa porphyry deposit located to the north in Colombia and the 3.3 billion tonne at 0.36% Cu Cobre Panama deposit located to the north in Panama and containing 26 million ounces of gold.

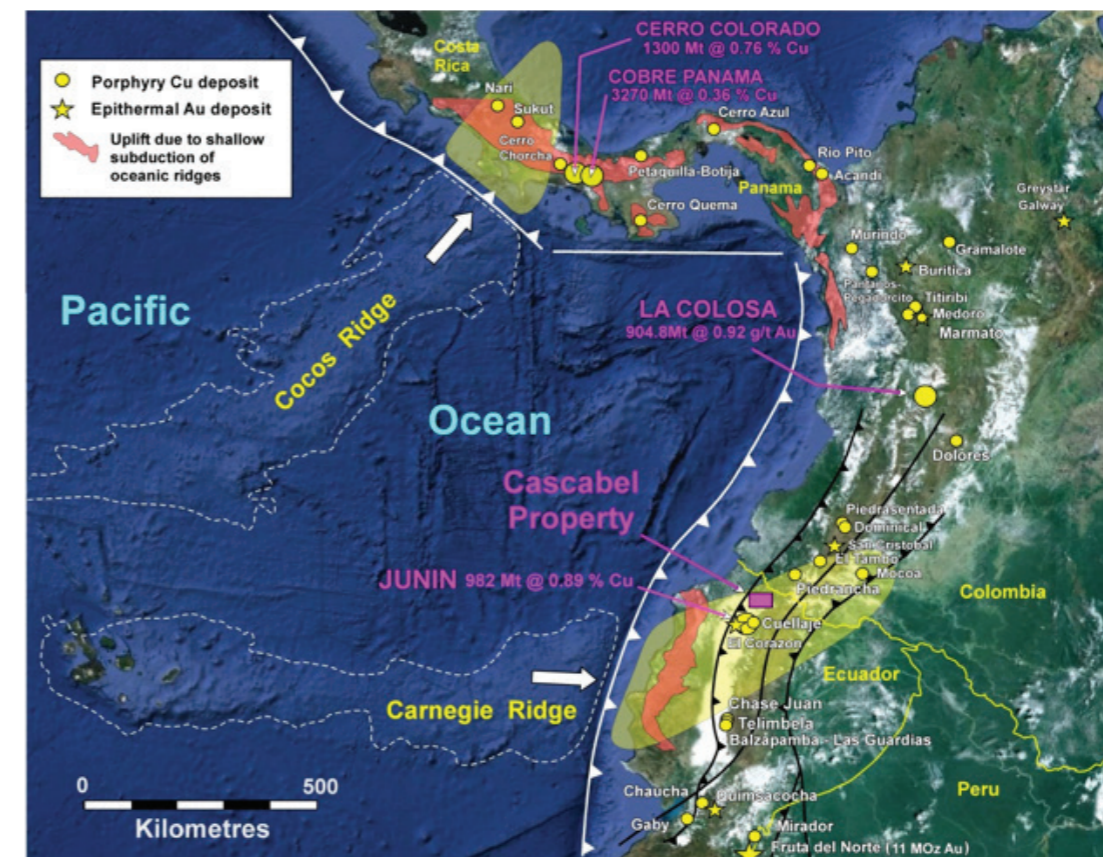


Figure 3: Tectonic setting of the Cascabel property in northern Ecuador, located above the eastward subducted extension of the Carnegie Ridge. The location of major porphyry Cu-Au +/- Mo and epithermal Au deposits are shown in yellow.

# STRATEGIC REPORT

The Cascabel concession area is incised with moderately steep-sided hills at elevations of 1,000 metres to 2,000 metres. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. A first-order paved highway provides year round access and crosses the north-east corner of the concession (Figure 4). A gravel road in good condition provides access to the village of Santa Cecilia located in the centre of the concession.

At 30 June 2014 SolGold held an 85% interest in Exploraciones Novomining S.A. ("ENSA"), an Ecuadorian registered company, which holds 100% of the Cascabel concession in northern Ecuador. As of 24 February 2014 SolGold had satisfied earn-in conditions and increased its holding in ENSA to an 85% interest. Cornerstone Capital Resources Inc. ("Cornerstone") holds the other 15% of ENSA.

The Cascabel concession contains an early-stage exploration prospect that indicates the potential for a large tonnage copper-gold porphyry system. The geology of the Cascabel region has similarities to the Maricunga Belt in Chile and to the recently recognised gold porphyry belt in west-central Colombia that is centred on the recently discovered La Colosa gold porphyry. These porphyry systems are Miocene age and are associated with diorite and quartz diorite stocks with porphyritic textures.

The project is located in the Cordillera Occidental of the Ecuadorian Andes, within a north northeast trending structural zone parallel to the principal fault Pallatanga situated along the eastern margin. Basement rocks consist of ocean floor basalts and sediments of Cretaceous age. High-level batholiths of Miocene age and associated granite, granodiorite and diorite bodies of Late Miocene age intrude volcanic and sedimentary rocks of Cretaceous to Tertiary age. Upper Miocene age stocks are associated with the principal porphyry and epithermal deposits located in the district (Figure 5).

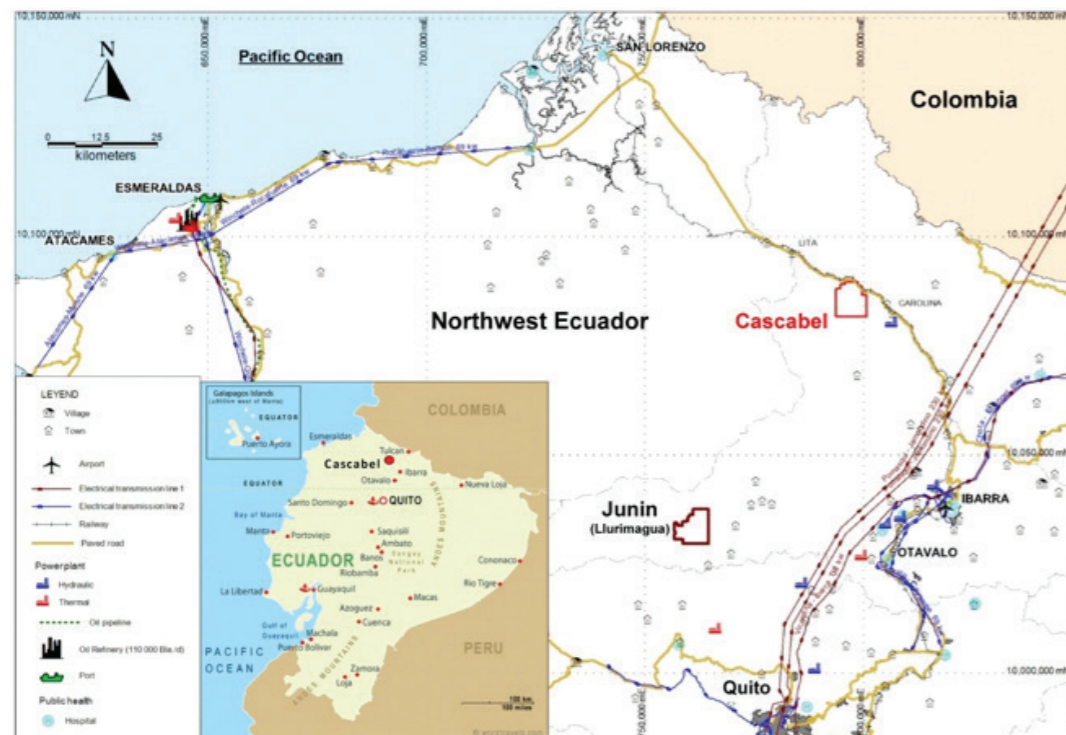


Figure 4: Location of the Cascabel concession, the nearby giant Junin porphyry deposit and infrastructure in the northwest part of Ecuador.

# STRATEGIC REPORT

Early regional mineral exploration surveys in Ecuador were funded by government agencies and consisted of geological mapping, rock and silt sampling. The World Bank supported Prodeminca, a non-profit mineral exploration organisation setup by Ecuador in 1988 to attract foreign investment into the mining sector. The British Geological Survey funded regional surveys during the 1970's and 1980's to provide the geological framework to identify potential areas of mineralisation worthy of more detailed evaluation. The early survey work led to the discovery of several porphyry deposits, of which the most significant is the giant Junin copper-molybdenum porphyry. Junin is located approximately 60 km SSW of Cascabel, and has a reported inferred tonnage of 982 Mt at a grade of 0.89 % copper and 0.04 % molybdenum. It is hosted by quartz granodiorite porphyry of late Miocene age, which intrudes the Apuela batholith. Mineralisation consists mainly of bornite, chalcopyrite and molybdenite as disseminations and associated with quartz veins and quartz stockworks related to phyllic and potassic hydrothermal alteration.

The first documented report of work at Cascabel was carried out by Santa Barbara Copper and Gold SA during 2008. Stream silt surveys and prospecting indicated the presence of a copper-gold porphyry system. Cornerstone Ecuador SA carried out prospecting, regional geological mapping and a heavy mineral stream sediment survey during June and July 2011 with the discovery of numerous gold mineralised zones. A 4 km by 5 km area was highlighted for follow-up work.

On the 24 July 2012, SolGold Plc entered into a definitive option agreement with Cornerstone Capital Resources Inc. to acquire up to an 85% interest in the Cascabel copper-gold property in Ecuador. Exploration survey work was initiated and managed by Cornerstone during May 2012 under the proposed terms of the option agreement with SolGold. Exploration continued through 2013 and into 2014 under the technical guidance of SolGold.

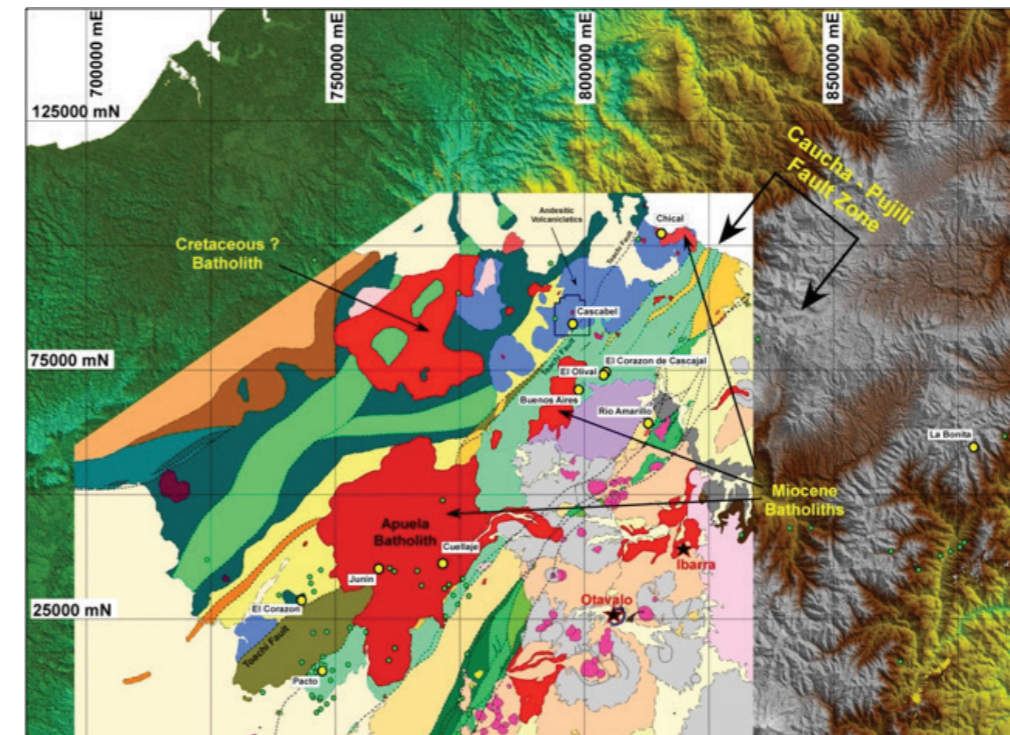


Figure 5: Regional geology of northern Ecuador, showing the north-east trending array of Miocene-age batholiths and intrusions associated with mineralisation at Cascabel, Junin, Cuellaje, Buenos Aires and Chical.

# STRATEGIC REPORT

## Exploration Activities

Regional exploration survey work in 2013 and 2014 included:

- Rock chip sampling.
- Geological mapping to complete reconnaissance coverage throughout the concession.
- Detailed geological mapping commenced at Alpala and in the Rio Cachaco prospect area.
- Soil sampling over Rio Cachaco along 13 lines (188 samples) on a 200m x 50m grid, and on the east side of the Aguinaga prospect along 7 lines (60 samples) on a 200m x 50m grid. 248 samples collected in total, and sampling is ongoing.
- Modelling of helimagnetic data. Grid preparation for Orion 3DIP and magneto-telluric (MT) surveys at Alpala and Aguinaga.
- Completion of Orion 3DIP and MT surveys at Alpala and Aguinaga. Data processing ongoing.
- Diamond drilling of 7 completed drill holes and 1 partially completed drill hole at Alpala prospect, for a total of 6,313.68m. A total of 4,592.08m were drilled as of 30 June 2014.
- Preparation and initial metallurgical testing of drillcore from hole CSD-13-005.

This work generated six key areas of interest (Figures 6 and 7):

1. Quebrada Alpala – Outcropping porphyry Cu-Au mineralisation.
2. Quebrada Moran - Outcropping porphyry Cu-Au mineralisation overprinted by polymetallic veins.
3. Quebrada Tandayama and Quebrada America - Outcropping porphyry Cu-Au mineralisation.
4. Aguinaga – Extensive soil Cu-Au-Mo anomalism (porphyry Cu-Au prospect).
5. Rio Cachaco – Low- to intermediate sulphidation Au-Ag-basemetal veins systems.
6. Chinambicito – Porphyry Cu-Au target.

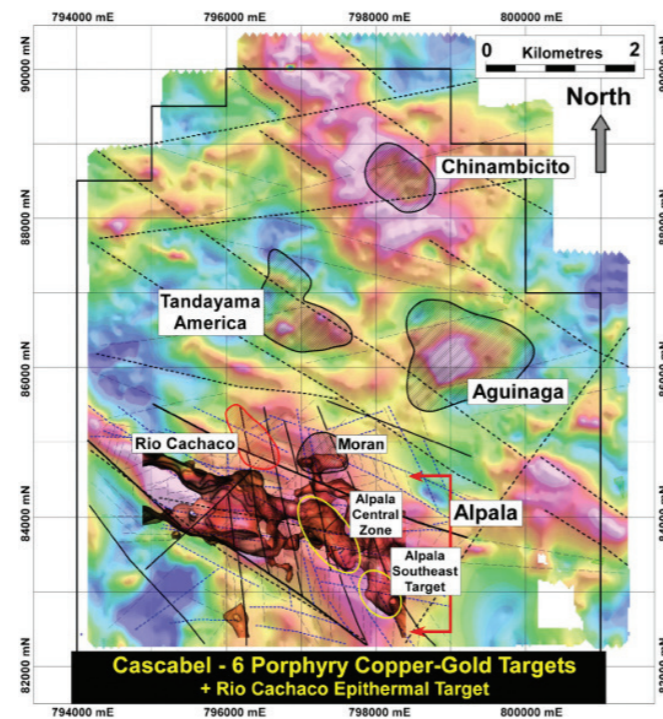


Figure 6: RTP (Reduced-To-Pole) magnetic image over the Cascabel concession and showing the principal target areas at 1. Alpala, 2. Quebrada Moran, 3. Quebradas Tandayama and America, 4. Aguinaga, 5. Rio Cachaco and 6. Chinambicito.

# STRATEGIC REPORT

Regional exploration activity in 2013 and 2014 focused in the southern part of the concession area in the vicinity of the Alpala porphyry copper-gold prospect (Figure 6). Principal programs included:

- Several phases of 3D modelling of magnetic imagery.
- The Environmental Licence awarded on 27 August, 2013, that allowed the central part of the concession area to progress from Early Stage to Advanced Stage Exploration status, enabling diamond drilling to commence at the Alpala prospect.
- Upgrade of the Alpala field camp and the Rocafuerte field office.
- Commencement of Stage 1 drill program at Alpala on 1 September 2013, being 5 holes for 2500 metres.
- Completion of diamond drill holes CSD-13-001, 002, 003, 004 and 005 at Alpala (Stage 1 drill program).
- Commencement of Stage 2 drill program on 3 March 2014 with CSD-14-006, with subsequent drilling of CSD-14-007 which was at a depth of 1251.26m on the 30 June 2014. Hole CSD-14-008 was in progress at the time of writing of this report.
- Completion of gridding in preparation for an electrical 3D IP (Induced Polarization) and magneto-telluric (MT) survey covering an area of approximately 9 km<sup>2</sup> over the Alpala region and approximately 4 km<sup>2</sup> over the Aguinaga prospect.
- Completion of 3DIP surveys over both the Alpala and Aguinaga prospect areas.
- Follow-up processing and modelling of IP data in September and early October to refine anomalies and generate drill targets at Alpala and Aguinaga.
- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralisation styles, paragenesis, and alteration types.
- Preliminary metallurgical testwork conducted, with Rougher flotation recovery tests completed and reported. Cleaner recovery tests ongoing.
- Ongoing environmental management over the concession area in line with guidelines provided by the Ministry of Environment.
- Submission of 2<sup>nd</sup> biannual Environmental Management report at end September.

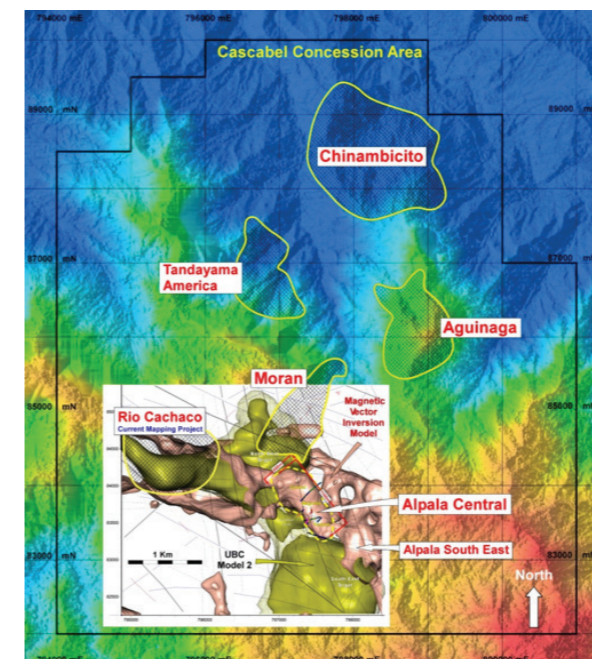


Figure 7: Location of two magnetic models (UBC and the MVI magnetic model) over the Alpala porphyry prospect at the southern end of the Cascabel concession. Other porphyry copper (+/- gold) targets are highlighted by yellow outlines.

## Magnetic Modelling

During the past year the Company engaged Chris Moore of Moore & Associates (Aust) Pty Ltd to carry out Phase 2 and Phase 3 magnetic modelling on the property. These two models were unconstrained 3D inversion models of the Cascabel heli-magnetic dataset in the Alpala region. The initial (Phase 1) magnetic models over the Alpala, Aguinaga and Chinambicito prospects were generated in the first half of 2013.

Following the discovery of high-grade copper and gold in Hole CSD-13-005 ("Hole 5") below the depth of the initial magnetic model, a refined and expanded model was created for the Alpala region (Figure 8; UBC model 2). The new magnetic model was extended to 2500 metres depth to identify high-grade targets that might be amenable to deeper block-cave underground mining. The new model was also extended further to the west, to cover a larger area of the Alpala magnetic region. The result of this Phase 2 modelling was not only a significant refinement in model accuracy, but it also allowed the Company to view the entire magnetic domain in three dimensions rather than just the shallow eastern domain. Previous representations of the magnetic bodies at Alpala were constrained to

areas less than 1100 metres in depth, and optimised for areas shallower than 600 metres, and mostly east of the area of current drilling. The new modelling revealed a deeper and more westward extension to shallow magnetic anomalies that lay east of the area of drilling.

The Phase 2 unconstrained magnetic model at Alpala was created using the UBC (University of British Columbia) smooth body inversion algorithm that until now has been considered industry best practice. The depth of investigation required at Alpala, coupled with the challenging low magnetic inclination of the earth's field in Northern Ecuador, required SolGold to push this modelling as far as could feasibly be achieved with the technology. New generation magnetic modelling algorithms that allow Magnetic Vector Inversion (MVI) modelling have recently been developed collaboratively by UBC GIF (University of British Columbia Geophysical Inversion Facility), industry and front end software developers (Geosoft) who had commercialised this new technology. Consequently Phase 3 magnetic inversion modelling was conducted using the state of the art Magnetic Vector Inversion technique during the drilling of Hole CSD-14-007 ("Hole 7").

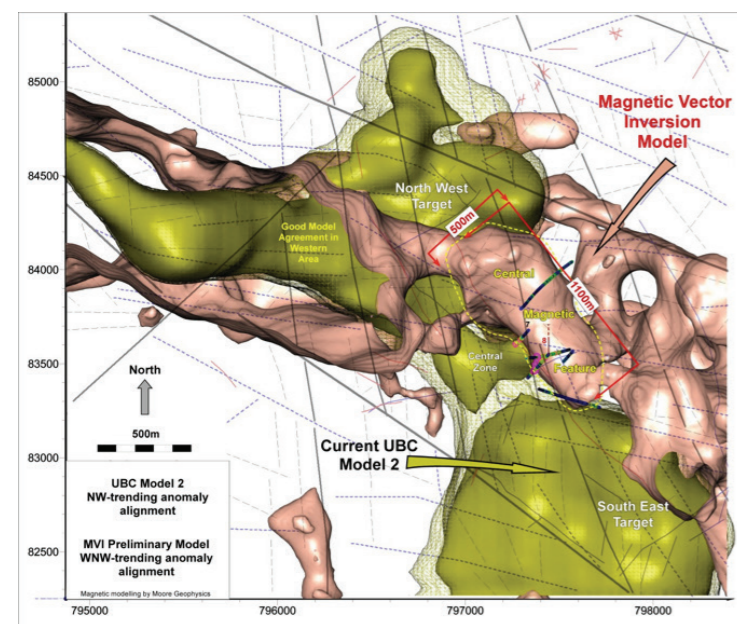


Figure 8: Plan view of the UBC Model 2 (yellow-green) and the most recent MVI Model (Phase 3). The models show good correlation in the northwest whilst there are offsets in the models in the southeast, potentially due to the MVI model better accounting for remanence effects.

The MVI model showed more detailed resolution as well as better concordance with the west-northwest regional fault network and the north-northwest second-order fault network in the Alpala region (Figure 8). The MVI modelling also revealed a columnar magnetic anomaly whose lateral dimensions at around 900m depth are 1100m in the northwest dimension and around 500m wide in the northeast dimension, and around at least a 1000m metres in the vertical dimension, tapering slightly inward at depth. Strongly mineralised Holes 5 and 7 lie along the southwest margin of this magnetic feature, which is a major exploration target for the Company.

## Stage 1 Drilling

Following the granting of the Environmental License on 27 August 2013, SolGold commenced a Stage 1 diamond drill program on the 1st September 2013. The first five drill holes were all collared within the confines of the area of channel sampling at Alpala. All 5 holes of the Stage 1 program were completed during the reporting period (Figures 8 and 10).

Drill hole CSD-13-001, the first hole to test the Alpala Prospect at the Cascabel Project, intersected coherent porphyry copper mineralisation across two zones, a stockwork zone in the upper part of the hole and a strongly sheeted quartz vein zone in the lower part of the hole. A bulked intersection of 302m grading 0.39% Cu and 0.48 g/t Au (Table 2) was obtained from CSD-13-001, and contained higher grade intervals including 100m grading 0.65 % Cu and 1.00 g/t Au (Figure 9).

Drill hole CSD-13-002 was centred in the area of mineralised channel samples at Alpala and drilled to test the extension of porphyry stockwork mineralisation at depth to the east of hole CSD-13-001. The hole intersected a number of zones of visible copper-sulphide minerals within diorite intrusives and volcanic country-rock, extending from near surface to near the bottom of the hole. Visible fine-grained and coarse-grained bornite and/or chalcocopyrite were observed in these intervals. The hole yielded a shallow intersection of 18m length grading 0.33% Cu, 0.41 g/t Au (from 6m depth) and a long and deeper intersection of 292m length grading 0.37% Cu, 0.30 g/t Au (from 126m depth) (Table 2).

Drill hole CSD-13-003 was collared south of holes CSD-13-001 and CSD-13-002 (Figure 9) and drilled at 60 degrees inclination towards 110 degrees azimuth to test a broad and variable magnetic anomaly that lay east of the area of trenching at Alpala. The hole was terminated at 751.33m depth near the margins of this modelled magnetic body. Hole CSD-13-003 intersected long runs of variably weak but very persistent chalcocopyrite and molybdenite mineralisation, with minor visible chalcocopyrite encountered from 76 metres to 751.33 metres (end-of-hole). Visible chalcocopyrite was more pronounced at 590 metres to 690 metres down hole. Visible molybdenite was most apparent from 283 metres to 635 metres. An eastward trend of slowly increasing stockwork veining in hole CSD-13-003 is consistent with the hole drilling obliquely through the marginal halo of a porphyry system whose centre may be located to the northwest or southeast.

Drill hole CSD-13-004 failed to reach target depth due to bad ground conditions.

Drill hole CSD-13-005 was drilled as a steep undercut to hole CSD-13-001. It intersected extensive copper and gold porphyry mineralisation over a downhole interval of 1306m grading 0.62% Cu and 0.54 g/t Au (Table 2). Of significance was the intersection of high grade copper and gold mineralisation over 672m from 658m to 1330m grading 0.93% Cu and 0.92 g/t Au. Figure 9 shows the status of Hole 5 on cross-section as of 3 March 2014. High grade porphyry mineralisation is dominated by chalcocopyrite – a copper-sulphide mineral that occurs in several porphyry vein generations and in association with magnetite. High grade mineralisation occurs predominantly in a quartz diorite intrusion where the alteration assemblage comprises a transition zone between potassic alteration and over-printing inner propylitic alteration on the southwest margin of the Alpala porphyry system.



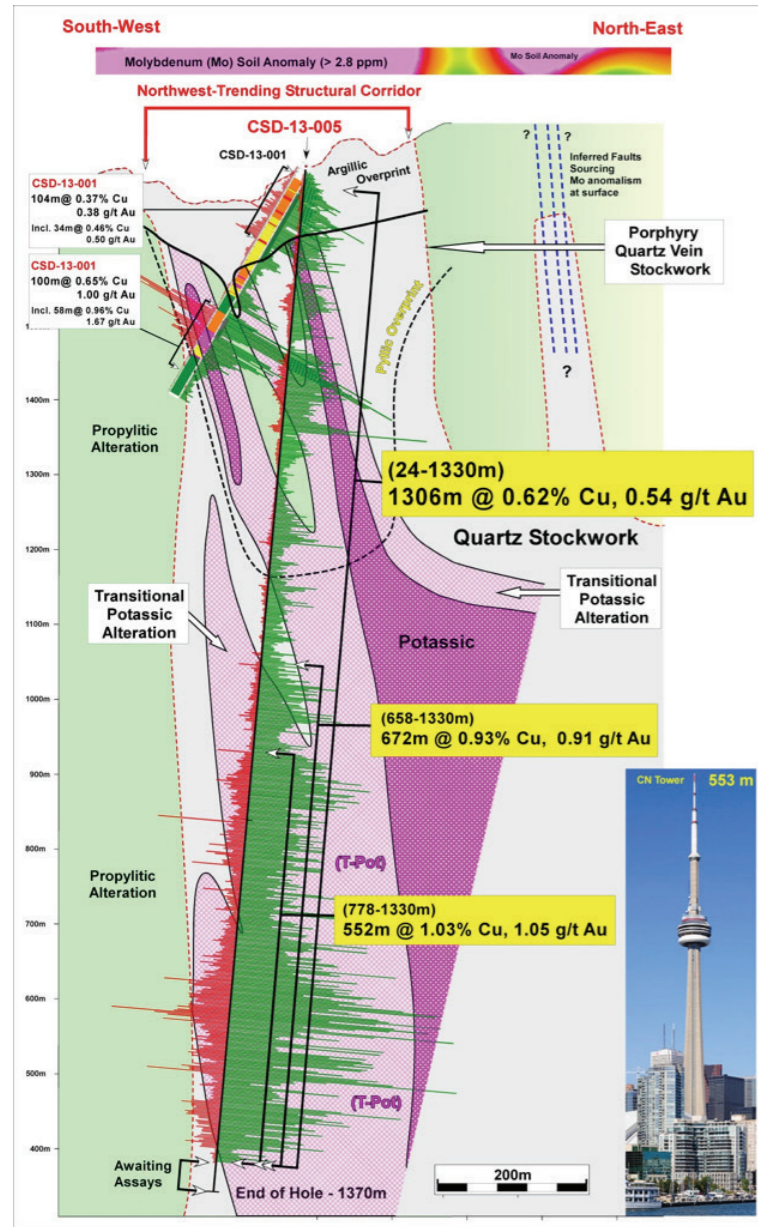


Figure 9: Status of Hole 5 and interpreted model as of 3 March 2014.

### Stage 2 Drilling

The Stage 2 drilling program, comprising of 7 planned drill holes, commenced with Hole CSD-14-006 ("Hole 6"). Hole 6 was sited to the north of Hole 5 and was planned on the basis of the Phase 1 magnetic model that identified shallow magnetic rocks northeast of the Hole 6 collar. Hole 6 intersected 821.50m grading 0.14% Cu and 0.10 g/t Au - an extensive interval of halo type copper grade in magnetite-bearing propylitic alteration (Figure 10).

Hole CSD-14-007 ("Hole 7") was sited northwest of Hole 5 to test for along strike continuity of the high-grade mineralisation in Hole 5. Hole 7 encountered an intersection of 958m grading 0.40% Cu and 0.17 g/t Au, with significant higher grade intervals including 238m grading 0.65% Cu and 0.35 g/t Au from 1056m depth.

Figure 11 shows the relationship between the 2 most strongly mineralised drill holes at Alpala and the MVI magnetic model. The best porphyry mineralisation encountered to date lies along the southwest margin of the MVI magnetic anomaly at central Alpala.

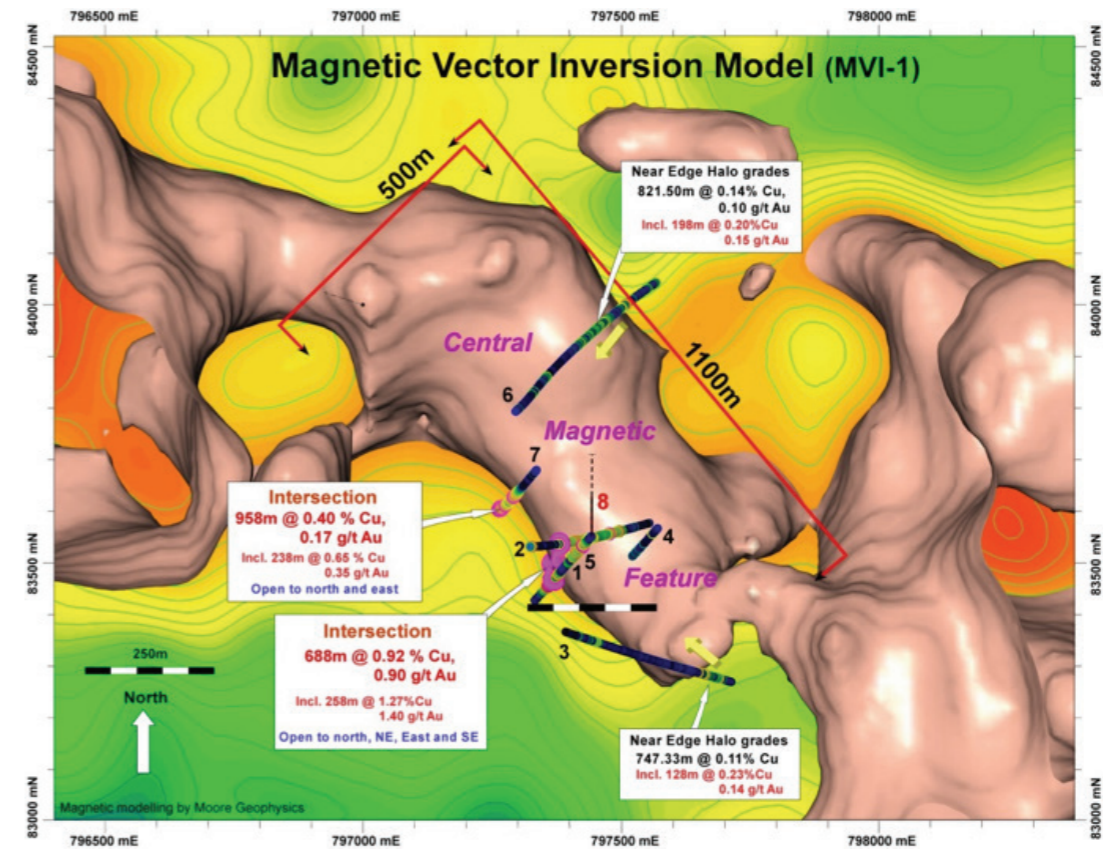


Figure 10: Plan view of the MVI (magnetic vector inversion) magnetic model in the Central Zone at Alpala, location of Holes 1-8 at Central Alpala and principal copper and gold intersections in relation to the MVI magnetic anomaly.

# STRATEGIC REPORT

The SolGold technical team is currently building a 3D geology model using Surpac and Fracsis to better visualise the geometry of the Alpala porphyry system and assist with drill planning. The 3D geology model is building up a set of surfaces that map shells of Mo grade (10 ppm), Cu grade (0.5% and 1%), intrusive bodies, base of feldspar-destructive alteration, boundary of 0.5% porphyry B-veins, a chalcopyrite/pyrite ratio of >1 surface, and other key geological parameters that can be used to generate vectors to higher grade parts of the mineralising system (Figure 12). The current spread and number of completed drill holes now allow this process to be implemented with some confidence.

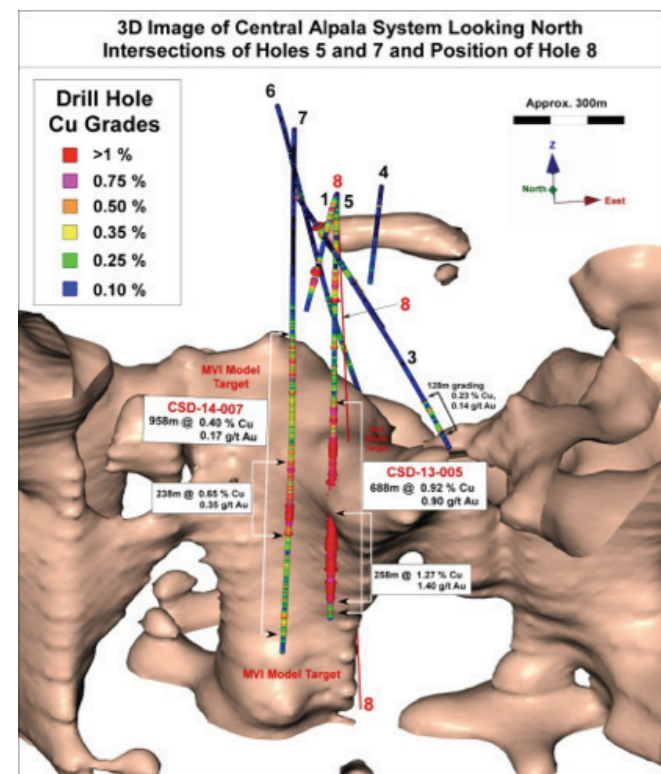


Figure 11: 3D view, looking north, across the MVI magnetic model in the Central Zone at Alpala, and showing the copper and gold intersections in holes 5 and 7.

The Company's current interpretation is that there may be multiple, vertically extensive and high-grade mineralised porphyry bodies that have been emplaced along a northwest-southeast structural zone. At central Alpala, the copper and gold grades are likely to improve at depth in the hanging wall to a syn-mineral fault structure that runs along the southwest boundary of the MVI magnetic anomaly. The MVI anomaly appears to be cored by an intrusive complex with quartz veining, porphyry-related secondary magnetite and copper sulphide mineralisation occurring both within and along the margins of the complex.

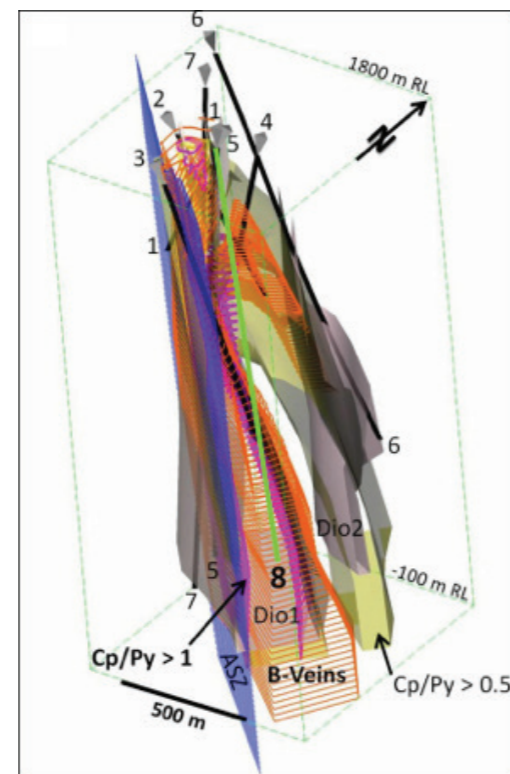


Figure 12: Oblique view of a series of geological surfaces that are being modelled in the area of drilling at central Alpala. The footwall structure that runs along the southwest margin of the target MVI anomaly is shown in purple (ASZ).

# STRATEGIC REPORT

Table 2: Significant intersections encountered in drill holes CSD-13-001 to CSD-14-007 at the Alpala prospect.

HOLE ID	DEPTH FROM	DEPTH TO	INTERVAL (M)	CU_%	AU_G/T
CSD-13-001	16	318	302m	0.39	0.48
Incls	16	120	104m	0.37	0.38
Incls	188	212	24m	0.32	0.06
	222	322	100m	0.65	1.00
Incls	226	284	58m	0.96	1.67
Incls	232	248	16m	1.87	3.25
CSD-13-002	6	24	18m	0.33	0.41
	126	418	292m	0.37	0.30
Incls	130	140	10m	0.91	0.44
Incls	184	226	42m	0.50	0.68
CSD-13-003	4	751.3	747.33m	0.11	0.05
Incls	54	156	102m	0.16	0.03
Incls	584	712	128m	0.23	0.14
CSD-13-004	160	318.31	158.31m	0.11	0.05
CSD-13-005	24	1330	1306m	0.62	0.54
	24	420	396m	0.32	0.17
	436	658	222m	0.26	0.11
	658	1330	672m	0.93	0.91
	778	1330	552 m	1.03	1.05
	1052	1310	258 m	1.27	1.40
	1096	1146	50m	1.80	2.26

Table 2: Significant intersections encountered in drill holes CSD-13-001 to CSD-14-007 at the Alpala prospect. CONTINUED.

HOLE ID	DEPTH FROM	DEPTH TO	INTERVAL (M)	CU_%	AU_G/T
CSD-14-006	580	1401.5	1401.5	0.14	0.10
Incls	702	1038	336m	0.18	0.12
Incls	1080	1401.5	321.5m	0.14	0.10
	184	226	42m	0.11	0.07
	282	374	92m	0.13	0.05
	808	1006	198m	0.20	0.15
Incls	924	952	28m	0.29	0.23
Incls	940	952	12m	0.32	0.27
	1136	1182	46m	0.27	0.35
Incls	1168	1174	6m	0.49	2.10
CSD-14-007	654	1612	958	0.40	0.17
Incls	1056	1294	238	0.65	0.35
Incls	1160	1294	134	0.75	0.50
Incls	1200	1294	94	0.84	0.62

### Orion 3D IP Surveys

Two Orion 3D Induced Polarisation (IP) surveys were completed on the Cascabel property at Alpala and at Aguinaga at the time of writing of this report. The Orion system is commercialised by Quantec Geoscience, a world-wide geophysical company with headquarters in Toronto, Canada.

Orion is a distributed array IP system that generates very high resolution conductivity, resistivity and chargeability data-sets at depth that far exceed conventional IP systems. Whilst conventional IP systems typically see to depths of around 400m, the Orion system can read chargeability to potential depths of 800m, and beyond if ground conditions are ideal. The Orion system can also read resistivity-conductivity data to potential depths of 2 kilometres using magneto-telluric measurements. The Orion system is a very sophisticated survey technique that

was used to map sulphide distribution across the entire recognised extent of the lithocap and magnetic anomalies at Alpala.

Gridding in preparation for the Orion surveys was completed prior to arrival of Quantec personnel and equipment into the country. At Alpala, the gridding was conducted over an area of 3 km x 4 km for a total of 108 line kilometres. Gridding was also completed over the smaller survey area at the Aguinaga prospect.

The Orion surveys were completed under budget. The data is currently being processed by Quantec technicians. Preliminary IP products have been received and are being integrated with other datasets by the SolGold exploration team. Most of the final processed datasets are expected to be received by late October.

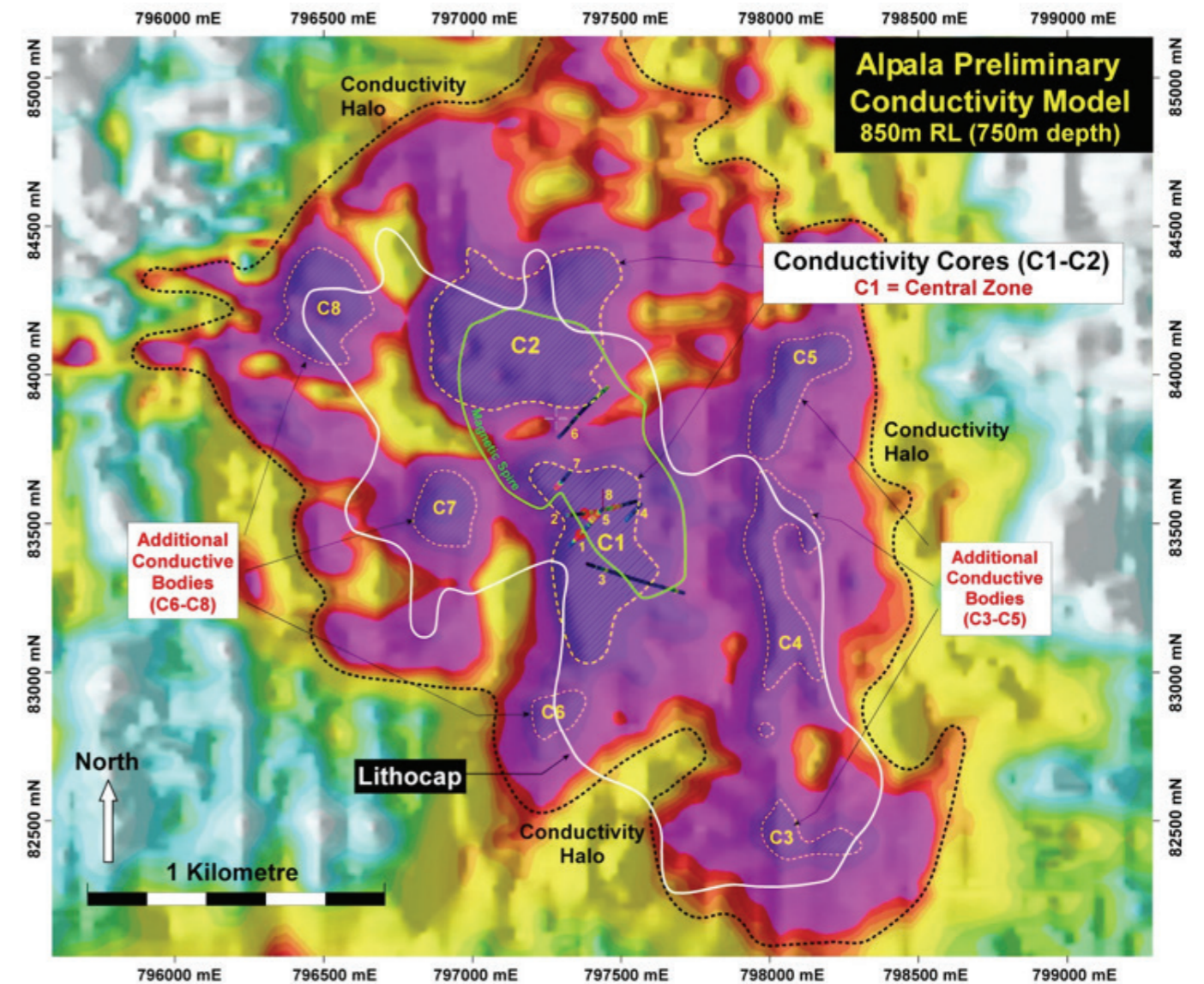


Figure 13: Preliminary conductivity data modelled in the depth range 0-800m, and showing a horizontal slice through the model at approximately 750m depth. Eight preliminary chargeability anomalies are defined at this depth slice (C1-C8). Conductivity anomaly C1 corresponds with the Central Zone at Alpala. An extensive conductivity halo covers an area of approximately 3 km (northwest-southeast) by 1-2 km (northeast-southwest), and covers an area of 4.8 km<sup>2</sup>. The strongest chargeability anomalies "C1" and "C2" overlie the magnetic spire (green outline above) that is being targeted as a zone of abundant secondary magnetite associate with porphyry Cu-Au mineralisation at the Alpala porphyry system.

**Petrographic Characterisation**

Two batches of core samples from Holes 1, 3, 5, 6 and 7 at Alpala were sent to Anthony Coote of Applied Petrologic Services and Research (APSAR) in Wanaka, New Zealand for thin section preparation and description. The work was aimed at understanding the lithological framework of the Alpala prospect and to characterise and document the sulphide mineralisation, alteration assemblages as well as paragenesis and over-printing relationships.

Petrographic work confirmed the presence of relic potassic alteration in holes 5 and 7 from a transition zone between potassic alteration and marginal inner propylitic alteration. Hydrothermal biotite that occurs in association with magnetite (characteristic of the potassic zone of dioritic porphyry systems) is strongly overprinted by cooler chlorite alteration at deep levels, reflecting the position of Holes 5 and 7 on the margins of the Alpala porphyry system. Extensive overprinting feldspar-destructive alteration occurs in the upper 800 metres of the Alpala porphyry system, altering magnetite to hematite and in the process destroying the magnetic signature of the rock. Both the early and late stage alteration assemblages at Alpala are associated with mineralisation. The petrographic work identified the principal intrusives as being an older quartz diorite and a younger tonalite, with both intrusive generations exhibiting relic potassic alteration and both likely contributing copper and gold to the porphyry system at Alpala.

**Flotation Metallurgy**

Three samples for metallurgical test-work from Hole 5 were selected and sent to Inspectorate Exploration and Mining Services Ltd ("Inspectorate") of Richmond, Vancouver on 2 July. Inspectorate is a sister company to the ACME Laboratory Group that conducts the assaying of drill core from the Cascabel project. The initial testwork is being performed to ascertain the flotation recovery characteristics of the high grade copper and gold mineralisation at Alpala via both rougher and cleaner flotation circuits leading to a Cu concentrate. To date the first stage, or preliminary, rougher tests have been completed on the three composites from Hole 5. Rougher circuit flotation recoveries at grind sizes between 50 and 150 micron were between 91% and 98% copper and gold. SolGold continues to investigate optimisation of metallurgical recoveries and further testwork is required on a variety of head grade samples to refine these results.

**Extension Soil Sampling**

Preliminary geological inspection over the southern drainage divide of the Rio Cachaco catchment is underway, and is comprising of geological mapping and soil surveying (Current Mapping Project; Figure 14). The soil survey is being conducted to extend the current soil coverage westward over strong magnetic anomalies that lies under the topographic divide south of Rio Cachaco, and 2 kilometres west-northwest of Central Alpala. Extension soil sampling is also being conducted in the Aguinaga prospect area, In the east side of the current regional soil grid.

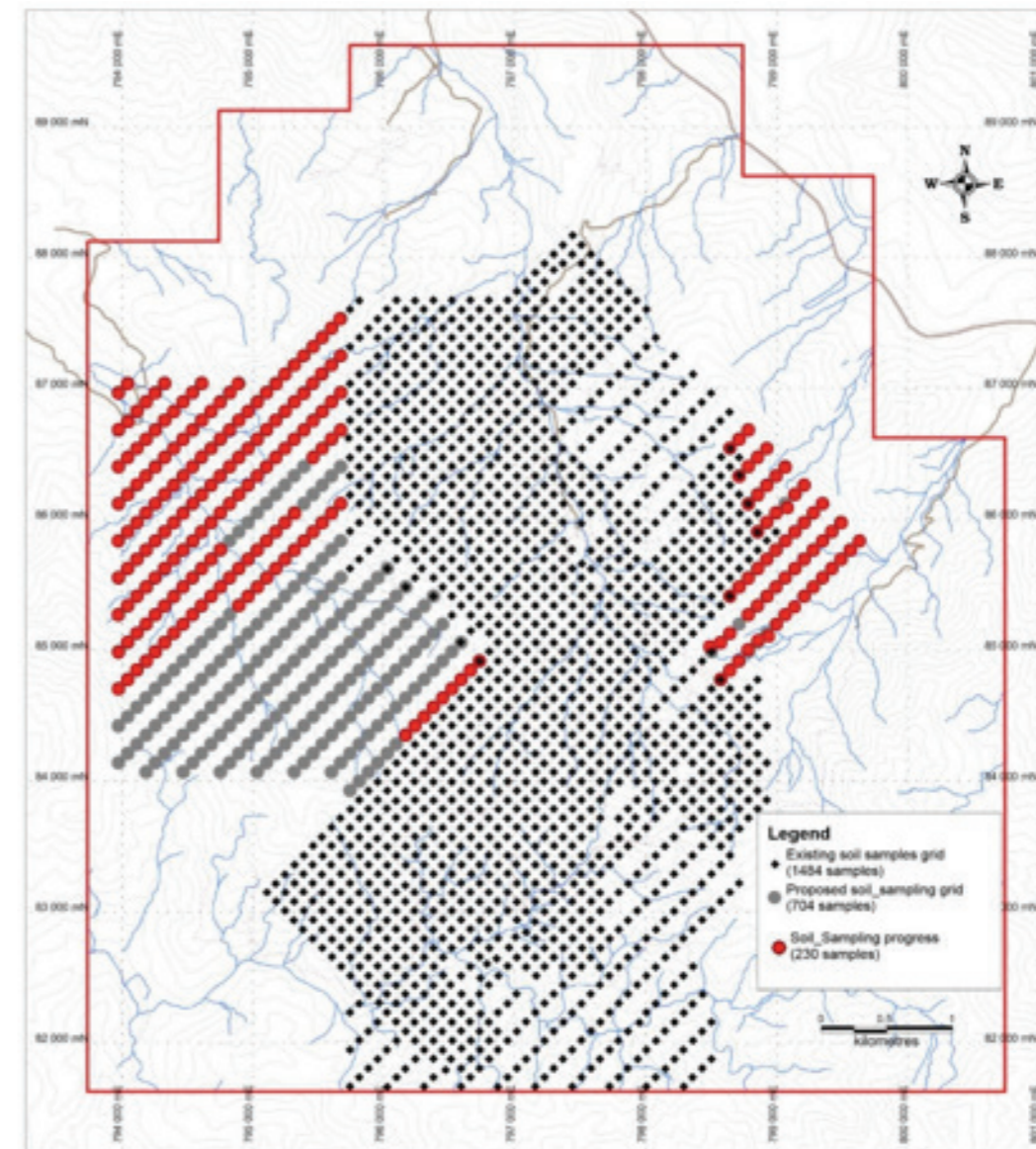


Figure 14: Current status of extension soil sampling at Rio Cachaco and Aguinaga.

**Environmental and Social Management Programs**

Environmental and social management programs in 2013 and 2014 have expanded and built on the programs initially established in 2012. Local concerns regarding mining and exploration relate primarily to issues of water use and water management. The Cascabel property is situated within the boundaries of three communities. The main community of Santa Cecilia located in the central part of the concession is very supportive of the Company's presence and exploration activities. SolGold and partner Cornerstone are continuing to build strong community relations with the three main communities at Cascabel.



Figure 15: SolGold and Cornerstone team at the Rocafuerte field office.

**QUEENSLAND - AUSTRALIA**

There was no exploration activity on the projects in Queensland during the period. Joint venture opportunities are being sought for these projects and it is pleasing to note that there has been much interest by junior exploration and mining companies. However, despite this interest, the continued challenging equities markets are making it difficult for companies to raise the exploration funds to complete joint venture deals and commence exploration.

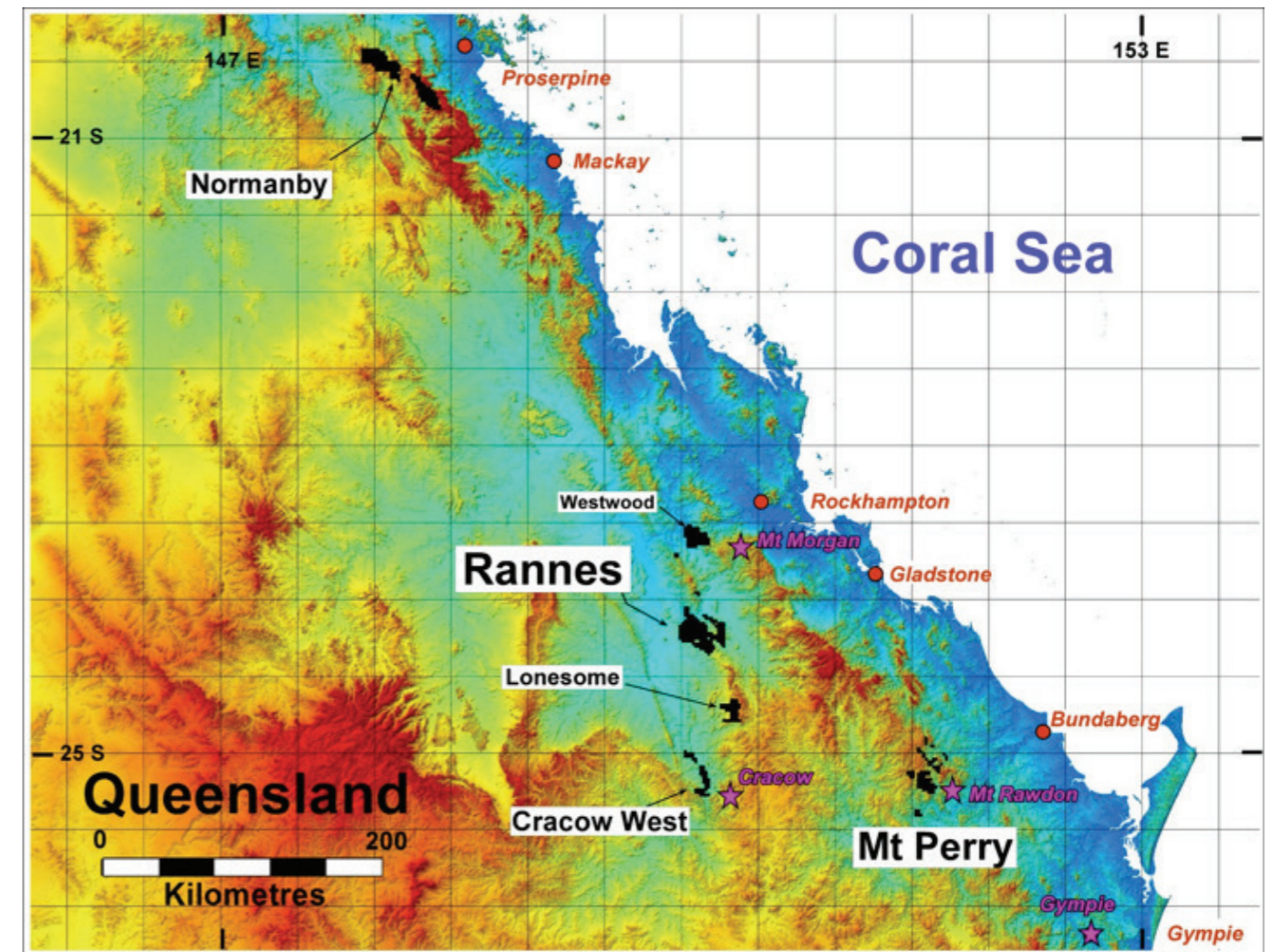


Figure 16: Location of tenements held by SolGold in Queensland, Australia.

**Mount Perry (100% SolGold)**

**Location**  
130km north-west of Gympie, Queensland, Australia

**Ownership**  
100% owned

**Tenement Area**  
89 granted sub-blocks (circa 277km<sup>2</sup>) and 103 application sub-blocks (circa 336km<sup>2</sup>; primarily tenement consolidation areas).

**Primary Targets**  
High grade, lode gold deposits and possible gold porphyry deposits

The Mt Perry Goldfield is located four hours by road from Brisbane and is host to more than 60 named and numerous other unnamed historical mines and workings (see Figure 16). The area lies adjacent to Evolution's 100,000 ounce per annum Mt Rawdon Gold Mine which lies at the intersection of two major geological fault structures; the Mt Bania and Darling Lineaments. Current published resources at Mt Rawdon stand at 36.7 million tonnes at 0.87g/t gold for 1 million ounces, and historical production has been approximately 1 million ounces.

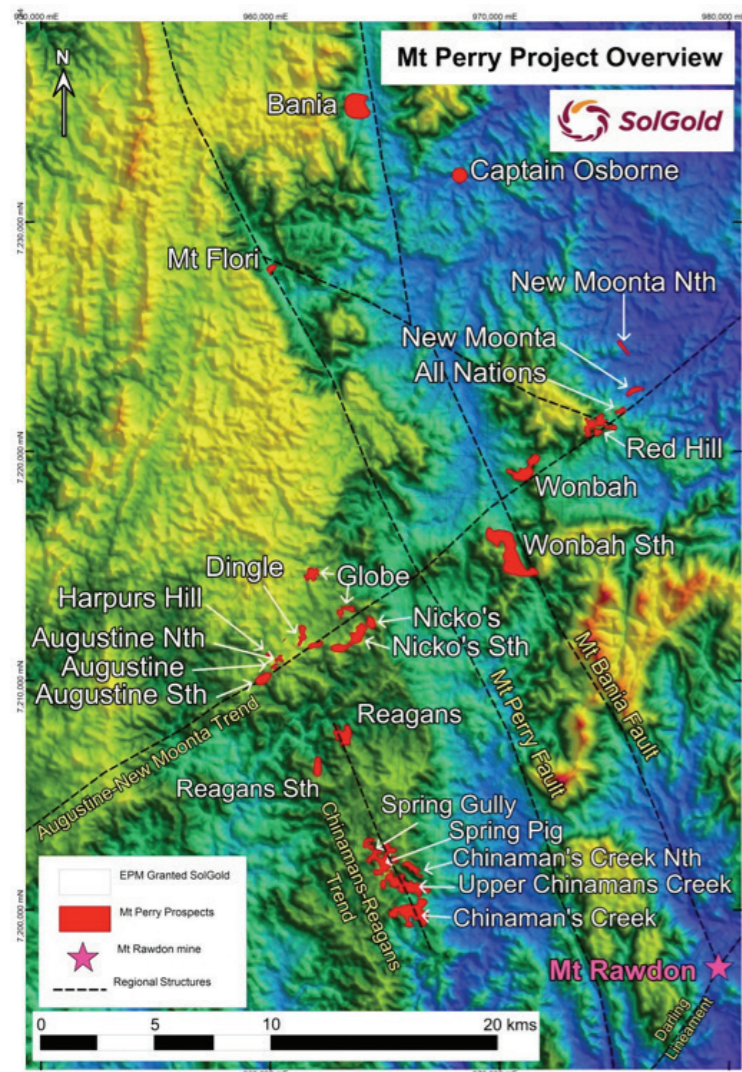


Figure 17 - An Overview of the Mt Perry project highlighting the prospects (defined by Au soil anomalies), the Mt Rawdon mine (a 2 million ounce Au deposit) and the major regional structures. SolGold's exploration has focussed along the Augustine-New Moonta trend (which is a similar orientation to the Darling lineament) and the Chinamans-Reagans trend, which has a similar orientation as the Mt Bania and Mt Perry fault.

SolGold's exploration at Mt Perry has focussed along two mineralised structural zones (The Augustine-New Moonta trend and the Chinamans-Reagans trend (see Figure 17). The structural orientations of these are similar to the major structures that host the Mt Rawdon gold mine.

The 'Augustine-New Moonta trend' extends over a 20km long north-east trending corridor from Augustine in the south-west to the New Moonta mines in the north-east (see Figure 17). Sulphide-mineralised breccia bodies with variable gold, silver, base metals and with occurrences of uranium characterise the Augustine-New Moonta trend. The second target zone is the 'Chinamans-Reagans trend'. This target zone is characterised by copper-molybdenum porphyries with gold and zinc anomalous halos in the south of the project area, and it merges with the 7km long and strongly mineralised Chinaman's Creek - Reid's Creek - Spring Creek - Reagan's target immediately to the north.

Extensive airborne magnetic and electromagnetic surveys have been conducted over the Mt Perry Project area, together with detailed soil sampling, rock chip sampling and geological mapping surveys. This has been followed by drilling programs that conducted first pass reconnaissance drilling on numerous targets. Exploration at Mt Perry has identified several high grade vein-style targets and lower grade, high-tonnage porphyry-style gold targets.

During 2013 a detailed review of the Mt Perry project was carried out. The aim of the review was to evaluate the geological potential of the seven main prospects to establish the geological resource potential for the region. The report concluded that the prospects have a combined potential to host between 200,000 ounces (base case) and 700,000 ounces (geological potential) of gold. A significant amount of the tenement remains unexplored, leaving the potential for unrecognised prospects to be discovered within the area. Currently SolGold is seeking a JV partner to continue exploration at Mt Perry.

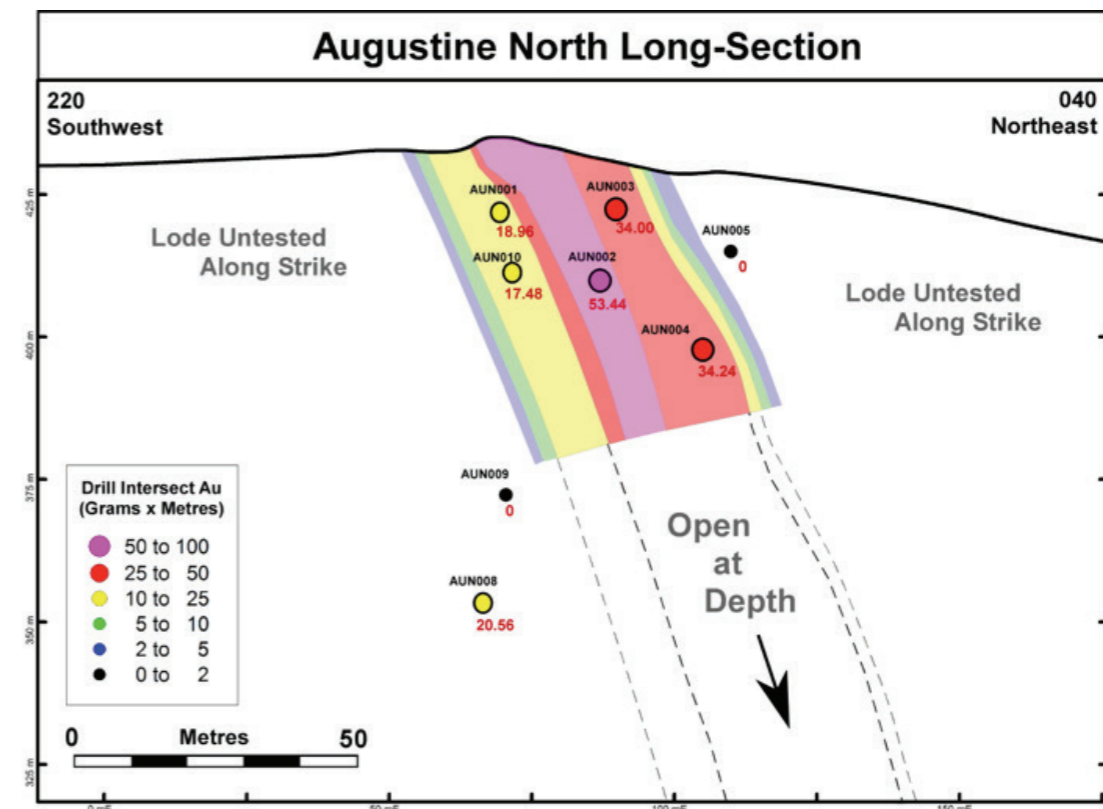


Figure 18 - Augustine North long-section displaying an interpreted high-grade shoot dipping to the north-east.

# STRATEGIC REPORT

# STRATEGIC REPORT

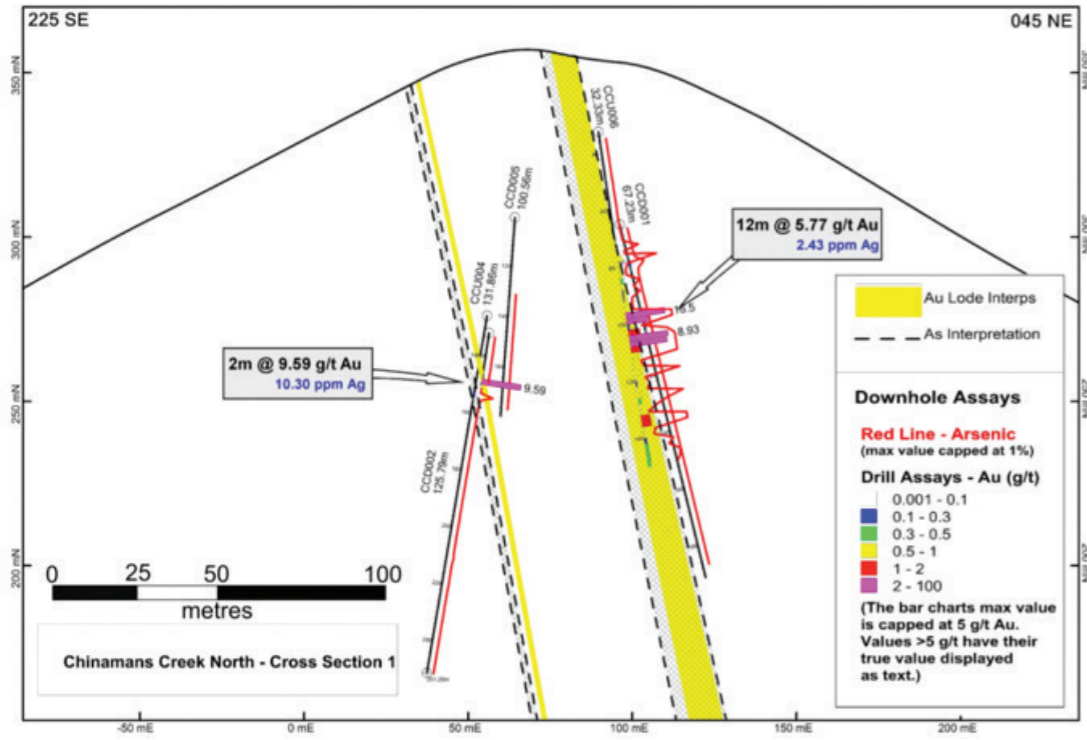


Figure 19 - Chinamans Creek North cross-section displaying interpreted Au and As lodes through the SW lode (Caledonian Reef) and Middle lode.

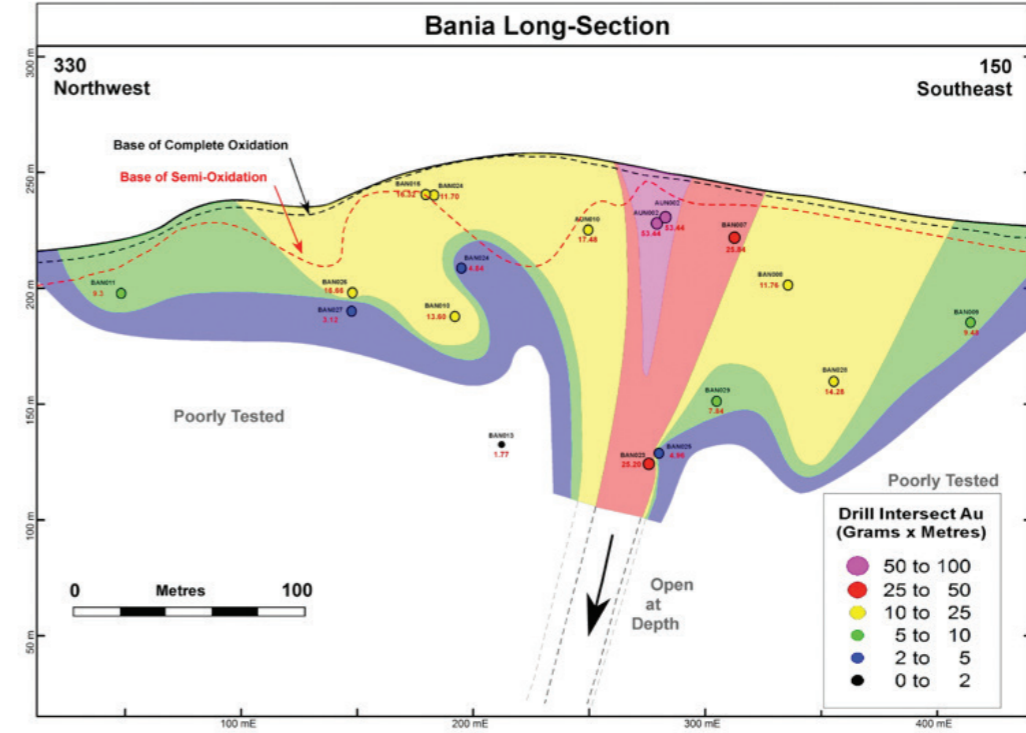


Figure 21 - Bania lode long-section, showing gram-metre values over the approximate 400m strike length of drill testing.

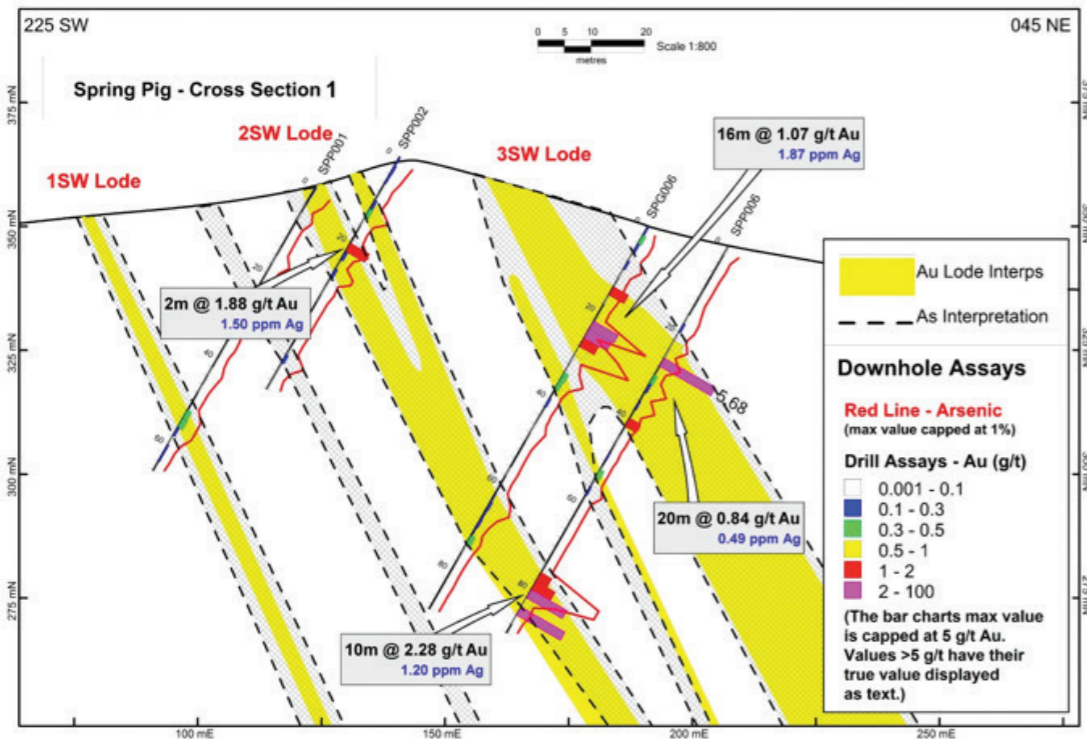


Figure 20 - Spring Pig cross section, displaying interpreted Au and As lodes.

Figure 18 - Augustine North long-section displaying an interpreted high-grade shoot dipping to the north-east.

# STRATEGIC REPORT

## Normanby Project (100% SolGold)

**Location**  
120km north-west of Mackay, Queensland, Australia

**Ownership:**  
100% owned

**Tenement Area**  
171 granted sub-blocks (circa 550 km<sup>2</sup>) and 100 application sub-blocks (circa 321 km<sup>2</sup> which are primarily consolidation areas).

**Primary Targets**  
Cu-Au porphyry deposits and batholith associated gold vein deposits

The Normanby Project is located at the southern margin of eastern Australia's densest cluster of million ounce gold deposits, the nearest of which is the Mt. Carlton Au-Ag mine, located 40km to the northwest of Normanby.

SolGold's exploration to date has primarily focussed around the Normanby Goldfield, a collection of 70 historical workings. Work programs have included extensive stream sediment, soil and rock chip sampling, an airborne magnetic survey and 50 drill holes totalling 1523 metres in length. The most significant intersections were at the Mt Flat Top prospect and included an intersection of 42m grading 1.16 g/t gold and 34m grading 1.22 g/t gold. The mineralisation has the geological features of a porphyry copper system with a high gold to copper ratio. A second phase of drilling may be carried out to test the lateral and vertical extension of this potential porphyry target. Regional-scale stream sediment and rock chip sampling has identified numerous anomalous areas, including the Mt Crompton breccia pipe.

No field exploration was conducted in 2013 and 2014 at Normanby as SolGold is seeking expressions of interest to joint venture the Normanby project.

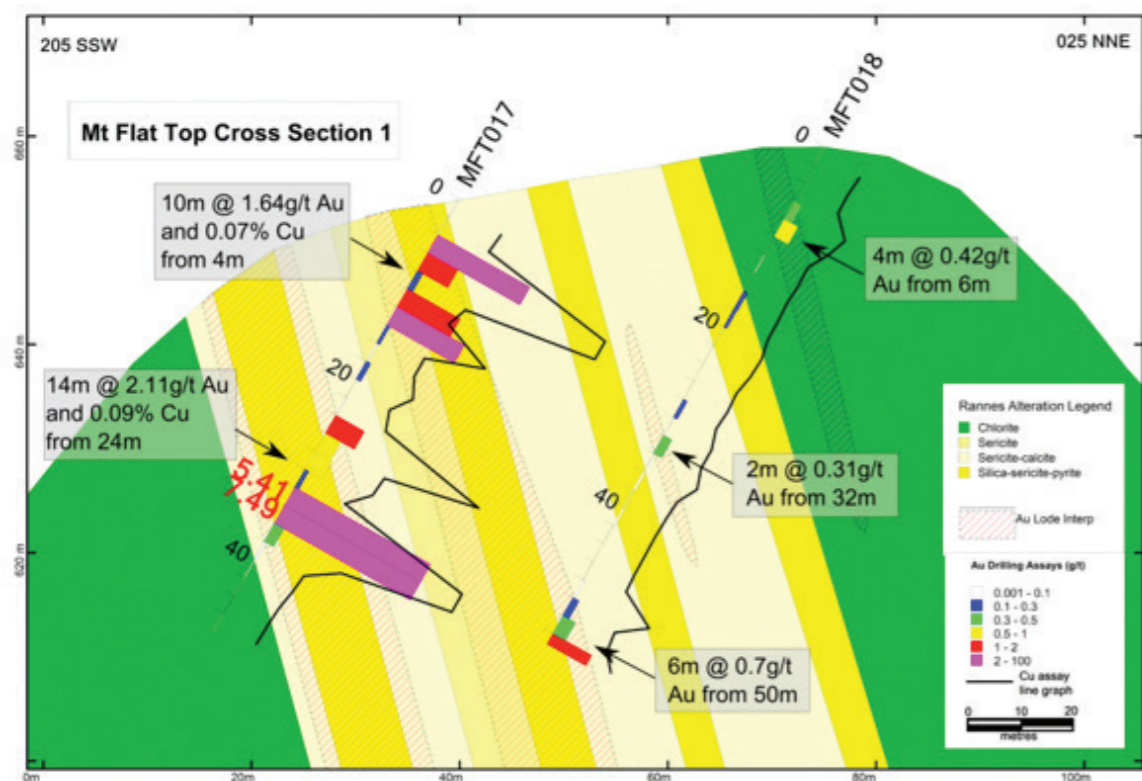


Figure 22: Mt Flat Top cross-section, displaying Au (colour histograms) and Cu (black line) assay grades.

# STRATEGIC REPORT

## Rannes Project (100% SolGold)

**Location**  
140km west of Gladstone, Queensland, Australia

**Ownership:**  
100% owned

**Tenement**  
209 granted sub-blocks (circa 655km<sup>2</sup>) and 203 application sub-blocks (circa 651.5 km<sup>2</sup>) which are primarily consolidation areas).

**Primary Targets**  
Disseminated and vein gold and silver deposits

SolGold's principal targets at the Rannes project are structurally-controlled, low-sulphidation epithermal gold-silver deposits. Thirteen prospects have been identified within the Permian-aged Camboon Volcanics, with the majority lying along north-northwest trending fault zones.

Exploration by SolGold has included tenement wide stream sediment, soil and rock chip sampling surveys. A detailed airborne magnetic survey has also been flown and recently re-interpreted to enhance the structural model development of the belt. At a prospect scale, exploration methods have included a 3D IP (Induced Polarisation) survey, geological mapping, and trenching all contributing to definition of additional drill targets at several prospects.

A total of 473 holes have been drilled at the Rannes project for a total of 58,887m. Most of this drilling has occurred at the Kauffmans prospect (151 holes) and the Crunchie prospect (90 holes), while lower metreage drill programs have been conducted at the Shilo, Cracklin Rosie, Porcupine, Brother, Spring Creek and Police Camp Creek prospects.

Based on these drilling programs, the current combined indicated and inferred resource estimate stands at 12.23 million tonnes at 0.6 g/t gold and 23.18 g/t silver; for 237,240 ounces Au and 9,105,072 ounces Ag. Table 3 lists the current resource estimates at the five main prospects. These estimates are based on gold to silver ratio of 1:50 and a 0.5 g/t Au equivalent cut-off.

Mineral resources estimates were completed by Hellman & Schofield Pty Ltd, and by H&S Consulting Pty Ltd., independent geological consultancies. The most recent resource estimate includes resources in both Indicated and Inferred categories for reporting under the JORC Code for Reporting of Mineral Resources and Ore Reserves.

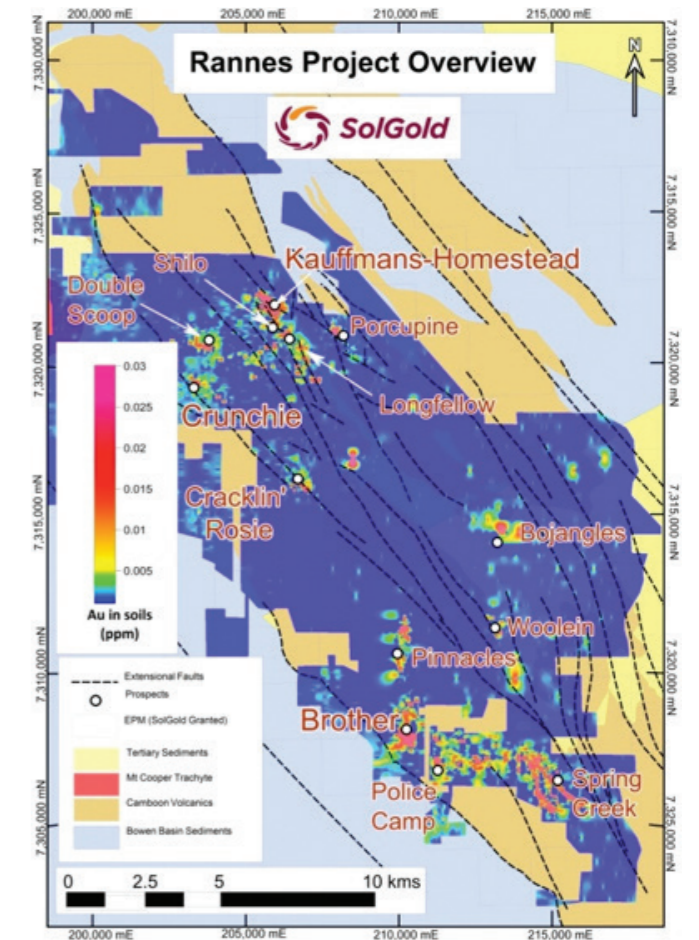


Figure 23: An overview of the Rannes project displaying the main prospects, soil gold anomalies and a simplified geology map. Indicated and inferred gold resources exist at Kauffmans and Crunchie, while untested prospect targets exist at Woolein, Bojangles and Longfellow.



# STRATEGIC REPORT

Table 3 – Resource estimates at Kauffmans, Crunchie, Cracklin, Porcupine and Brother as of 23 May 2012. The gold equivalent values are based on a ratio of 1:50 (Au:Ag). The resource at 0.3 g/t Au cut-off was announced on 23 May 2012.

	AUEQ CUT OFF	CATEGORY	M TONNES	AU G/T	AG G/T	AU OZS	AG OZS	AUEQ OZS 1:50 AU:AG
Kauffmans	0.5	Indicated	1.58	0.79	10.3	40,304	522,074	50,729
		Inferred	3.49	0.74	8.9	83,060	999,278	103,092
Crunchie	0.5	Indicated	2.4	0.46	42.4	35,833	3,310,000	102,100
		Inferred	3.2	0.49	39.8	49,797	4,040,000	130,676
Cracklin'	0.5	Inferred	0.43	0.59	5.6	8,023	76,145	9,544
Porcupine	0.5	Inferred	0.57	0.5	7.5	9,202	137,085	11,941
Brother	0.5	Inferred	0.57	0.6	1.1	11,021	204,90	11,434
<b>TOTAL (All Prospects)</b>			<b>12.24</b>	<b>0.63</b>	<b>23.18</b>	<b>237,240</b>	<b>9,105,072</b>	<b>419,516</b>

During 2013 a detailed review of the Rannes prospects was carried out. The aim of this review was to evaluate the geological potential of the project. The report concluded the following:

1. The resources at Kauffmans and Crunchie, at the current gold price, will require further higher grade zones to enhance the prospects economic viability.
2. Numerous untested prospects exist within the project (Longfellow, Woolein and Bojangles). The geological potential of these prospects has been estimated to be 50,000 ounces of gold.
3. Potentially deeper targets exist at Rannes but no geophysical technique, to date, has effectively identified target mineralisation.

Currently SolGold is seeking a JV partner to continue exploration at Rannes.

# STRATEGIC REPORT

## Cracow West Project (100% SolGold)

### Location

260km west-north-west of Gympie, Queensland, Australia

### Ownership

100% owned

### Tenement

47 granted sub-blocks (circa 146 km<sup>2</sup>) and 30 application sub-blocks (circa 93.16 km<sup>2</sup>)

### Primary Targets

Low-sulphidation epithermal Au-Ag deposits

Cracow West is located 15km to the north-west of Evolution Mining's Cracow gold mine (approximately 1.5 million ounces of gold). Gold mineralisation at the mine is associated with Permian-aged, low-sulphidation, epithermal quartz veins which have been emplaced along north-west and north-northwest trending fault zones. SolGold's initial exploration concept was to explore for a similar deposit to Cracow gold mine but a recent review of the regional geology suggests that the anomalism seen at Cracow West may be associated with a later phase of Triassic intrusions, suggesting a later mineralisation event.

SolGold's exploration at Cracow West has included stream sediment, soil and rock chip sampling. This has identified three significant prospects; Dawson Park, Kambrook and Theodore Bends. A 'SAM' survey (sub-audio magnetotellurics) has also been completed over the Kambrook and Dawson Park prospect. This has identified a potential buried target at Dawson Park, which coincides with a distinct soil tellurium anomaly at surface.

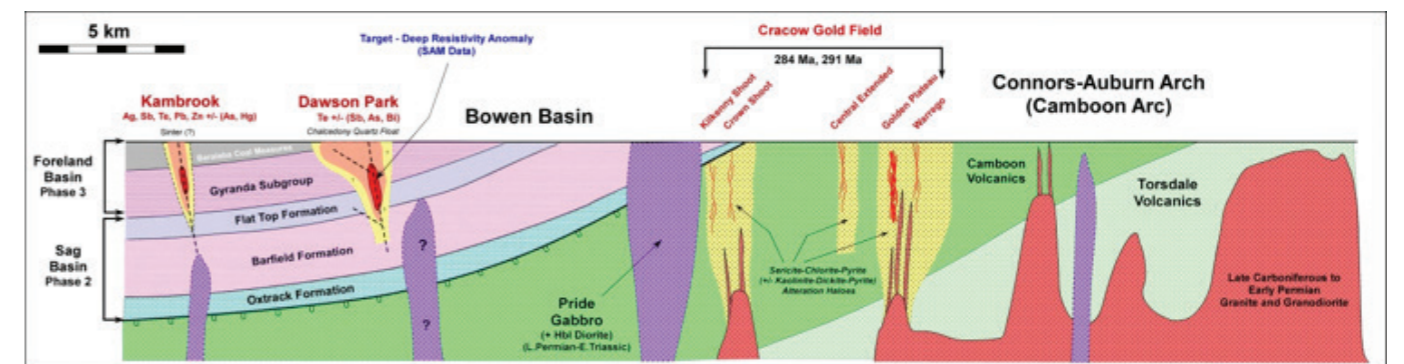


Figure 24: A conceptual geological cross-section through the Cracow West project and the surrounding area. The age of the intrusions interpreted below Dawson Park and Theodore has been interpreted to be Late Permian to Early Triassic.

**Westwood Project (100% SolGold)**

*Location*  
50km south-west of Rockhampton,  
Queensland, Australia

*Ownership*  
100% owned

*Tenement*  
63 granted sub-blocks (circa 198 km<sup>2</sup>)

*Primary Targets*  
Au porphyry and disseminated PGE (platinum group  
elements) in layered gabbro intrusions

SolGold has reviewed two prospects at Westwood.  
These are:

- The Westwood prospect, which is a layered gabbro intrusion enriched in Platinum Group Elements, Cu and Au. The area has had some historic exploration by BHP and Glengarry Resources that was focussed in a small proportion of the intrusion. SolGold's exploration concept is to screen the rest of the intrusion with soil sampling to locate untested PGE-bearing horizons within the layered gabbro.
- The Fred Creek prospect is located in the north of the tenement. SolGold has carried out a small soil sampling program and a brief field investigation. Historic drilling by BHP included assay results of 33m grading 0.97 g/t Au from 12m depth (the hole ended in mineralisation) and 43m grading 0.52 g/t Au from 2m depth. The principal target is a gold porphyry system.

**Lonesome Project (100% SolGold)**

*Location*  
200km west of Bundaberg, Queensland, Australia

*Ownership*  
100% owned

*Tenement*  
43 granted sub-blocks (circa 134 km<sup>2</sup>)

*Primary Targets*  
Epithermal Au-Ag and Cu-Au porphyry deposits

The tenement is situated 61km north of the Cracow Au-Ag mine. The geological setting of Lonesome is similar to that of the Cracow gold mine, with the principal target being a low-sulphidation epithermal system. SolGold have yet to carry out work at the Lonesome project.

**SOLOMON ISLANDS**

Exploration work was carried out on the Kuma tenement. No other exploration was carried out on any of the other projects in the Solomon Islands.

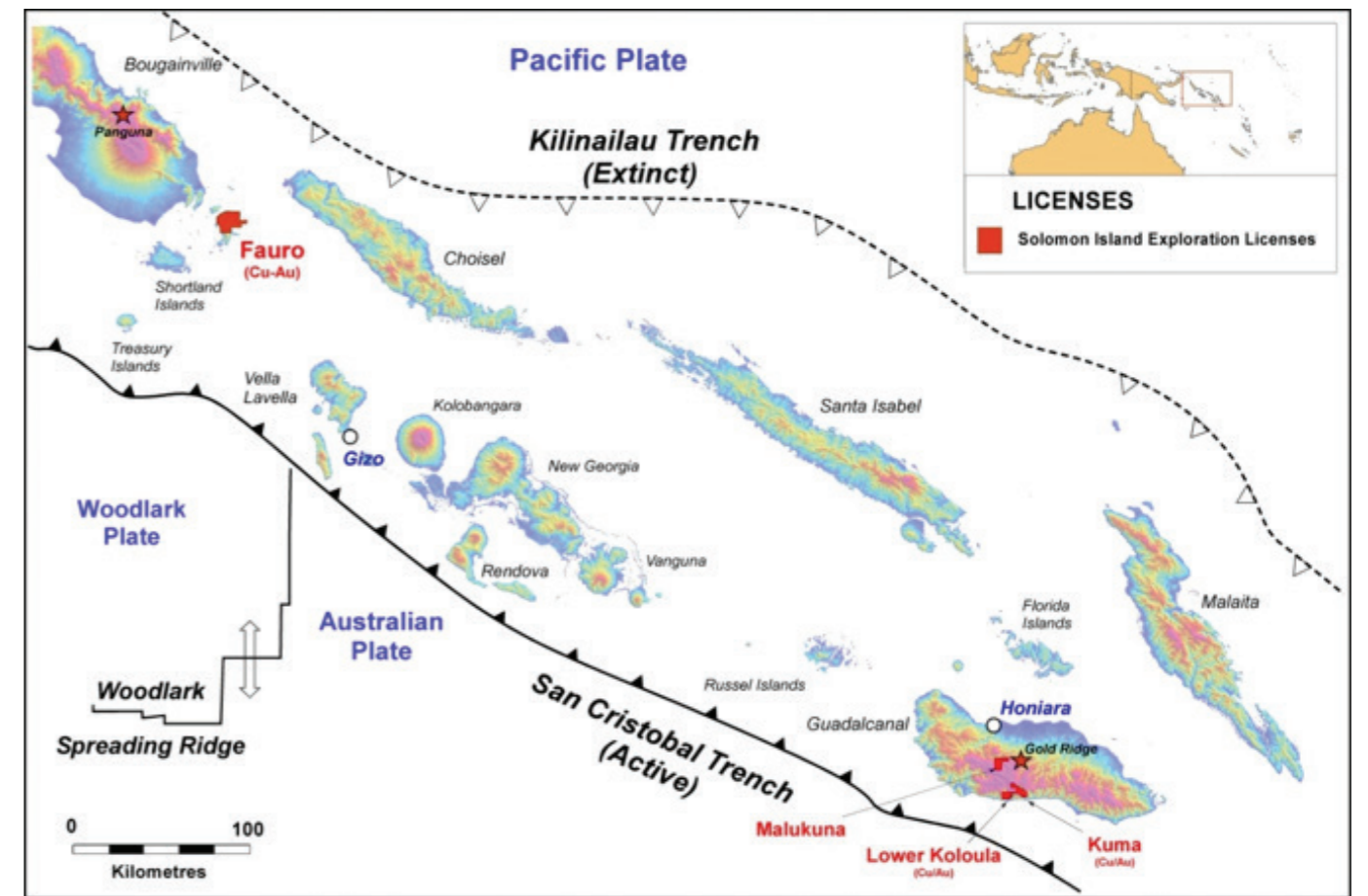


Figure 25: Location of exploration licenses held by SolGold in the Solomon Islands.

## Fauro Island Project (100% SolGold)

Location  
380km northwest of the capital Honiara, Solomon Islands

Ownership  
100% owned

Tenement Area  
30 km<sup>2</sup>

Primary Targets  
Epithermal gold and copper-gold Porphyry deposits

The Fauro Prospecting Licence (PL 12/09) was granted to Australian Resource Management (ARM, a 100% owned subsidiary company) on 20 November 2009. The project lies 82km south-east of the giant 'Panguna' copper gold porphyry deposit on Bougainville Island in neighbouring Papua New Guinea. SolGold interprets the geology of the Fauro Project to be favourable for

the discovery of epithermal gold and porphyry copper gold deposits similar to those within other parts of the belt. The Fauro property was acquired following concept development in 2007-2008 that targeted environments with demonstrated gold mineralisation within a Lihir-style volcanic caldera setting.

The key prospects are Ballyloro, Kiovakase, Meriguna and Ballteara (see Figure 24). Available datasets across the project include airborne magnetics, airborne EM, electrical IP, surface geochemistry (BLEGS, soils, rock chips), geological mapping, trenching and diamond drilling. Geochemical highlights include rock chips with assays up to 169 g/t Au at Kiovakase (with visible free gold) and up to 173 g/t Au from Meriguna. Trench results and drilling results are summarised in Figure 26.

No field exploration was conducted during 2013 and 2014 at Fauro as SolGold is seeking expressions of interest to joint venture the project.

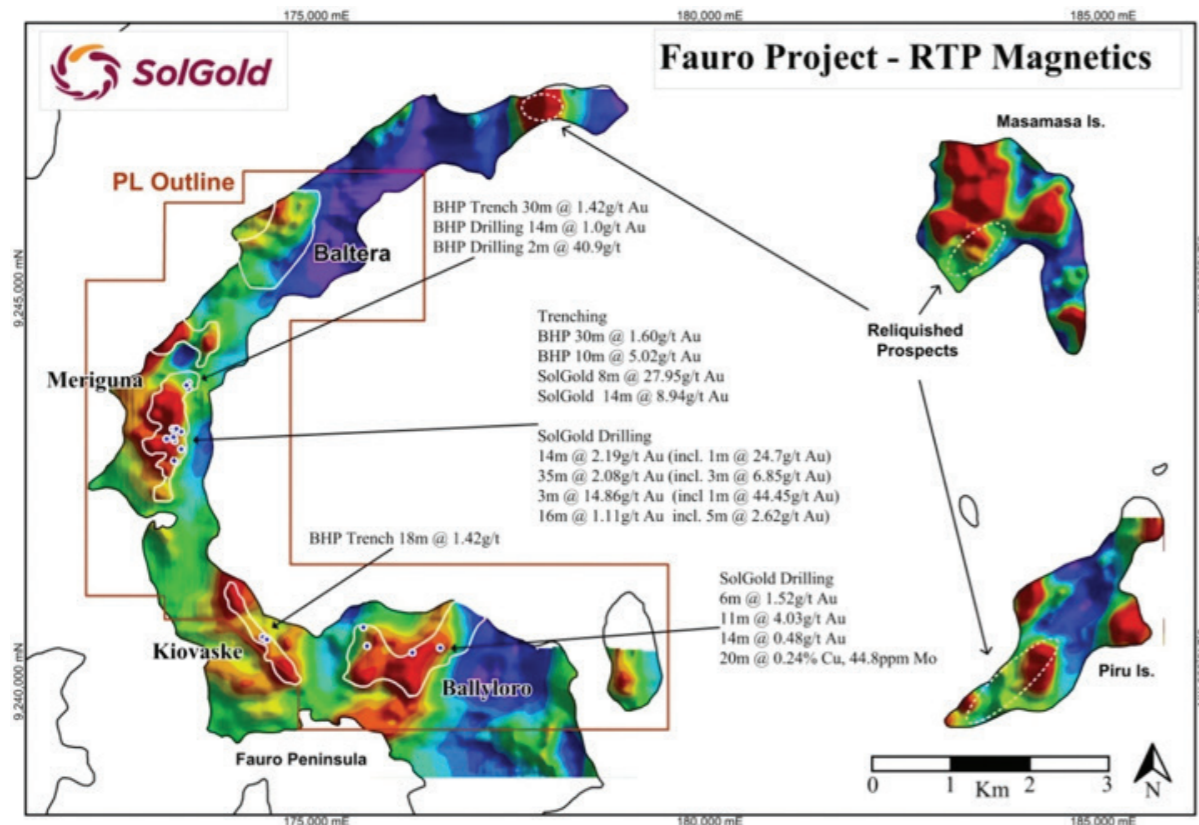


Figure 26: An overview of the Fauro prospects and the significant intersections to data. The base map comprises RTP (Reduced-To-Pole) magnetic imagery.

## Kuma Project (100% SolGold)

Location  
37km south-east of the capital Honiara, Solomon Islands

Ownership  
100% owned

Tenement Area  
43 km<sup>2</sup>

Primary Targets  
Copper gold porphyry deposits

The Kuma project lies just to the south-west of a series of major NW-SE-trending arc-parallel faults. These faults are associated with numerous Cu and Au anomalies, including the Sutakiki prospect and the Mbetilonga prospect (formerly part of the Guadalcanal Joint Venture). At Kuma, the surface geology is dominated by a 4km by 1km lithocap. This extensive zone of argillic and advanced argillic alteration is caused by hydrothermal fluids that emanate from the top of porphyry copper-gold mineralising systems, and thus provides a buried porphyry copper (gold) target for SolGold.

Exploration completed at Kuma under the previous Guadalcanal Joint Venture between SolGold and Newmont included extensive geochemical sampling (BLEG, rock chip and channel samples), geological mapping, a magnetic survey and an electromagnetic survey.

A soil sampling program was completed in late September and included the collection of 184 soil samples, 184 samples for TerraSpec spectral analysis and 3 rockchip samples. These samples will be analysed at commercial laboratories in Australia and results integrated with known geology in the region.

Figure 27 shows the outline of the mapped lithocap and also highlights magnetic highs which may represent the apex of porphyry stocks.

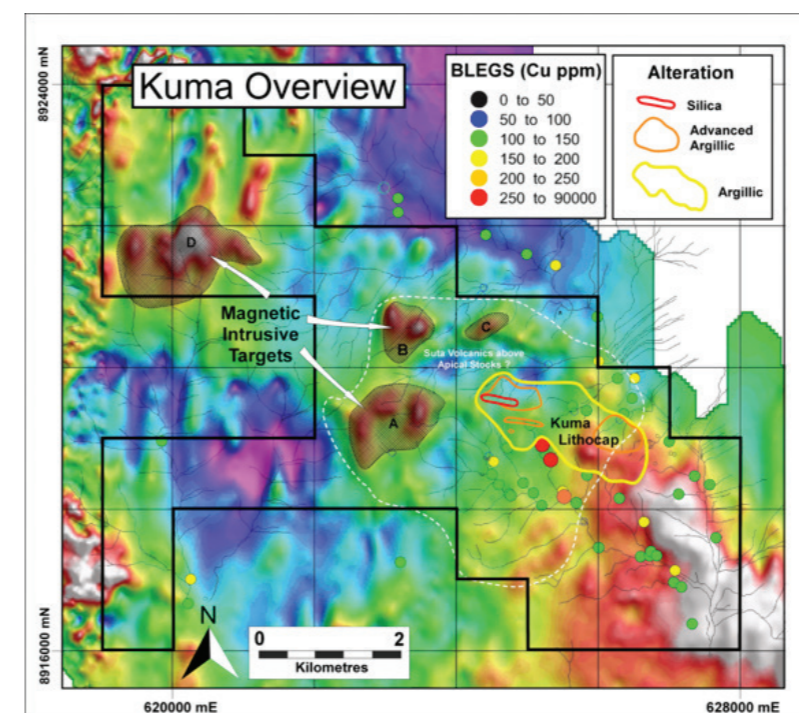


Figure 27: An overview of the Kuma tenement. The principal target is a 'lithocap' 4km by 1km in area. The outlines define the mapped alteration as follows: yellow=argillic, orange=advanced argillic and red=silica. The magnetic high anomalies that are labelled A, B, C and D are additional targets on the prospecting licence area.

# STRATEGIC REPORT

## Lower Koloula Project (100% SolGold)

**Location**  
20km south-east of the capital Honiara, Solomon Islands

**Ownership**  
100% owned

**Tenement Area**  
20 km<sup>2</sup>

**Primary Targets**  
Copper-gold porphyry

The Lower Koloula tenement (PL 01/10) lies along the southern 'weather coast' of Guadalcanal. The Lower Koloula area has geology dominated by intrusions of the Koloula Igneous Complex, with over eight phases of intrusions mapped at surface.

Exploration to date has included geochemical surveys (BLEG, soil and rock chip sampling), an airborne magnetic survey and geological mapping. These work programs have identified two main areas of interest; the Big Frog prospect and the Pepechichi prospect.

The most significant prospect is Big Frog, an area of multiple intrusive rock types that include five phases of tonalite and three phases of diorite and quartz diorite. This intrusive complex is defined by coincident Cu, Au and Mo soil anomalies that collectively span an area approaching a square kilometre. These soil anomalies are open to the west and southwest beneath alluvial deposits of the Koloula River. Outcrops of porphyry stockwork veins (predominantly B-veins) at surface occur near central to the Big Frog prospect, confirm the presence of a porphyry system at Big Frog, and corroborate the Cu-Au-Mo association in soil samples from the region. Also extensively observed at Big Frog are north-west-trending zones of argillic and advanced argillic alteration. Other highlights at Big Frog include a rock chip sample grading 2.47 g/t Au, 100 g/t Ag and >0.1 % Cu. Pepechichi is currently defined by a Cu-Au soil anomaly.

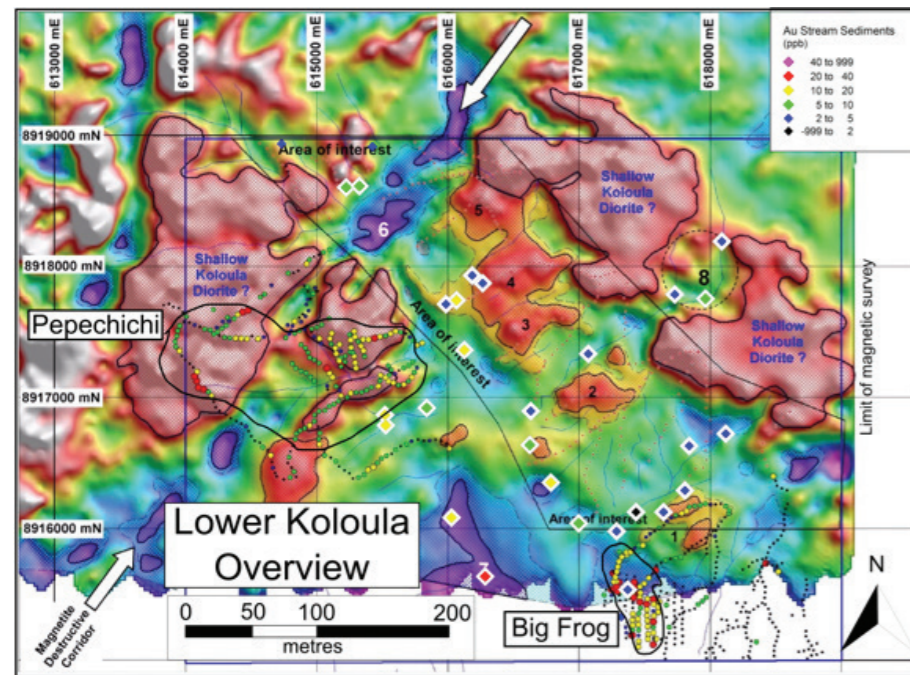


Figure 28: RTP magnetic image over the Lower Koloula license area. Besides the Big Frog prospect and the area adjoining the southwest margin of Big Frog, other areas of interest are labelled 1-8. The three extensive and strong magnetic high anomalies are likely to be shallow outcropping areas of the Koloula Diorite. Areas of anomalous Cu and Au soil geochemistry at Big Frog lie southwest of the magnetic high labelled '1'. Magnetic lows appear to lie along structures, the clearest example being the northeast-trending series of magnetic lows that encapsulate the magnetic low feature labelled '6'.

# STRATEGIC REPORT

## Malukuna Project (100% SolGold)

The Malukuna project is located 23km south-east of the capital Honiara, Solomon Islands and comprises of one tenement that covers an area of 36 km<sup>2</sup>. The project is yet to have systematic exploration work carried out on it.

### Qualified Person:

Information in this report relating to the exploration results is based on data reviewed by Dr Bruce Rohrlach (BSc (Hons), PhD), the GM Exploration of the Company. Dr Rohrlach is a Member of the Australasian Institute of Mining and Metallurgy who has in excess of 25 years' experience in mineral exploration and is a Qualified Person under the AIM Rules. Dr Rohrlach consents to the inclusion of the information in the form and context in which it appears.

The data in this report that relates to Mineral Resources using the Ordinary Kriging (OK) method is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code and guidelines"). Mr Tear is a full-time employee of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

# STRATEGIC REPORT

## INTERESTS IN TENEMENTS

EPM	EPM NAME	PRINCIPAL HOLDER	PROJECT	EXPIRY	
<b>Queensland</b>					
14279	Mount Perry North	Acapulco Mining Pty Ltd	Mt Perry	24/Jan/14	**
14280	Mount Perry North	Acapulco Mining Pty Ltd	Mt Perry	03/Mar/15	
14283	Mount Perry	Acapulco Mining Pty Ltd	Mt Perry	23/May/15	
17362	Reid Creek	Acapulco Mining Pty Ltd	Mt Perry	16/Sep/15	
18494	Spring Creek	Acapulco Mining Pty Ltd	Mt Perry	6/Jan/16	
25245	Mount Perry Consolidated	Acapulco Mining Pty Ltd	Mt Perry	n/a	*
11343	Normanby Gold	Acapulco Mining Pty Ltd	Normanby	12/Sep/15	
16456	Normanby extended	Acapulco Mining Pty Ltd	Normanby	23/Aug/12	**
17354	Clarke Range	Acapulco Mining Pty Ltd	Normanby	27/Feb/16	
18280	Normanby South	Acapulco Mining Pty Ltd	Normanby	18/Apr/14	**
19410	Normanby Consolidated	Acapulco Mining Pty Ltd	Normanby	n/a	
15779	Cooper	Central Minerals Pty Ltd	Rannes	20/Dec/11	**
15803	Cooper Extended	Central Minerals Pty Ltd	Rannes	28/Jan/14	**
16420	Dee Valley	Central Minerals Pty Ltd	Rannes	20/Sep/12	**
17937	Goovigen	Central Minerals Pty Ltd	Rannes	20/Oct/12	**
18743	Woolein	Central Minerals Pty Ltd	Rannes	11/Oct/15	
18744	Pinnacles West	Central Minerals Pty Ltd	Rannes	11/Oct/15	
18760	Westwood	Central Minerals Pty Ltd	Rannes	22/Jan/15	
19243	Lonesome	Central Minerals Pty Ltd	Rannes	22/Jan/15	
19348	Black Plains	Central Minerals Pty Ltd	Rannes	02/Aug/15	
19349	Mt Cooper	Central Minerals Pty Ltd	Rannes	20/Nov/15	
19639	Goovigen Consolidated	Central Minerals Pty Ltd	Rannes	n/a	*
25300	Cooper Consolidated	Central Minerals Pty Ltd	Rannes	n/a	*
18032	Cracow West	Central Minerals Pty Ltd	Cracow West	11/Oct/16	
18035	Tim Shay	Central Minerals Pty Ltd	Cracow West	03/Nov/15	

# STRATEGIC REPORT

EPM	EPM NAME	PRINCIPAL HOLDER	PROJECT	EXPIRY	
<b>Solomon Islands</b>					
PL 08/06	Kuma	Australian Resources Management Pty Ltd	Kuma	11/Apr/15	
PL 12/09	Fauro	Australian Resources Management Pty Ltd	Fauro	04/Feb/15	
PL 02/01	Malukuna	Guadalcanal Exploration Pty Ltd	Malukuna	14/Jul/13	***
PL 01/10	Lower Koloula	Guadalcanal Exploration Pty Ltd	Lower Koloula	14/Jul/13	***
<b>Ecuador</b>					
402288	Cascabel	Exploraciones Novomining S.A.	Cascabel	26/Apr/35	

\* EPM Applications have been lodged. Expiry dates determined at time of EPM grant.

\*\* Renewal Applications have been lodged, the Company sees no reason as to why these tenements will not be renewed in the near future.

\*\*\* Application for renewal of the PL, for a period of 2 years, has been lodged, the Company sees no reason as to why these tenements will not be renewed in the near future.

## RISKS AND UNCERTAINTIES

The Directors consider that the factors and risks described below are the most significant.

### FUNDING RISKS

The Group's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds and/or its ability to generate revenue from its projects. The need for and amount of any additional funds required is currently unknown and will depend on numerous factors related to the Group's current and future activities.

If required, the Group would seek additional funds, through equity, debt or joint venture financing. There can be no assurance that any such equity, debt or joint venture financing will be available to the Group in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings, and debt financing, if available, may involve restrictions on further financing and operating activities.

If adequate funds are not available on acceptable terms, the Group may not be able to take advantage of opportunities or otherwise respond to competitive pressures, as well as possibly resulting in the delay or indefinite postponement of the Group's activities.

### GENERAL EXPLORATION AND EXTRACTION RISKS

There is no certainty that the Company will identify commercially mineable reserves in the Tenements. The exploration for, and development of, mineral deposits involves significant uncertainties and the Company's operations will be subject to all of the hazards and risks normally encountered in such activities, particularly given the terrain and nature of the activities being undertaken. Although precautions to minimise risks will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

The targets identified by the Company's personnel and consultants, are based on current experience and modelling and all available data. There is no guarantee that surface sample grades of any metal or mineral

taken in the past will persist below the surface of the ground. Furthermore, there can be no guarantee that the estimates of quantities and grades of gold and minerals disclosed will be available for extraction and sale.

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

### TITLE RISK

SolGold's tenements and interest in tenements are subject to the various conditions, obligations and regulations which apply in the relevant jurisdictions including Ecuador in South America, Queensland, Australia and the Solomon Islands. If applications for title or renewal are required this can be at the discretion of the relevant government minister or officials. If approval is refused, SolGold will suffer a loss of the opportunity to undertake further exploration, or development, of the tenement. SolGold currently knows of no reason to believe that current applications will not be approved, granted or renewed. Some of the properties may be subject to prior unregistered agreements or transfers or native or indigenous peoples' land claims and title may be affected by undetected defects. No assurance can be given that title defects do not exist. If a title defect does exist, it is possible that SolGold may lose all or a portion of the property to which the title defects relates.

### PERMITTING RISK IN ECUADOR

As with all jurisdictions in which SolGold operates, a particular permitting regime exists in Ecuador with which SolGold must comply. Before commencing any exploration activity, SolGold may be required to negotiate access and compensation arrangements with any interested land access groups and relevant authorities in Ecuador. SolGold has engaged experienced advisors and consultants to assist with

negotiations, however, there is no guarantee that all necessary access and compensation arrangements will be entered in a timely manner, on favourable terms, without onerous conditions or at all. Similarly, no guarantees can be made as to timeframes within which negotiations may be finalised or the reasonableness of third parties. Failure to obtain all necessary permits, licenses and access and compensations arrangements may have a material adverse effect on SolGold.

### AUSTRALIAN NATIVE TITLE RISK

The effect of the Native Title Act 1993 (Cth) ("NTA") is that existing and new tenements held by SolGold in Australia may be affected by native title claims and procedures. SolGold has not undertaken the historical, legal or anthropological research and investigations at the date of this report that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement.

There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by SolGold which may affect the operation of SolGold's business and development activities. In the event that it is determined that native title does exist or a native title claim is registered, SolGold may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights such as a Mining Lease. Such procedures may take considerable time, involve the negotiation of significant agreements, involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming native title in the land which is the subject of a tenement. The administration and determination of native title issues may have a material adverse impact on the position of SolGold in terms of its cash flows, financial performance, business development, ability to pay dividends and share price.

### VOLATILITY OF COMMODITY PRICES

SolGold's possible future revenues will probably be derived mainly from Gold and Copper and/or from royalties gained from potential joint ventures or from mineral projects sold. Also, during operations

by SolGold, the revenues used will be dependent on the terms of any agreement for the activities. Consequently, SolGold's potential future earnings could be closely related to the price of either of these commodities.

Gold and Copper prices fluctuate and are affected by numerous industry factors, many of which are beyond the control of SolGold. Such factors include, but are not limited to, demand for CDIs, technological advancements, forward selling by producers, production cost levels in major producing regions, macroeconomic factors, inflation, interest rates, currency exchange rates and global and regional demand for, and supply of, Gold and Copper.

If the market price of Gold and Copper sold by SolGold were to fall below the costs of production and remain at such a level for any sustained period, SolGold would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, SolGold would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

### PROJECT DEVELOPMENT RISKS

If the Company discovers a potentially economic resource or reserve, there is no assurance that the Company will be able to develop a mine thereon, or otherwise commercially exploit such resource or reserve. Further, there can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations as operations expand. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

### CURRENCY FLUCTUATIONS

The future value of the Ordinary Shares may fluctuate in accordance with movements in the foreign currency exchange rates. For example, it is common practice in the mining industry for mineral production revenue

to be denominated in USD, although some but not all of the costs of exploration production will be incurred in USD and not all of the ore or metal obtained from the Tenements will be sold in USD denominated transactions.

## LAND ACCESS RISK

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which proprietary knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act 1993 (Cth). Immediate access to land in the areas of activities cannot in all cases be guaranteed. SolGold may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, SolGold's tenements. Compensation may be required to be paid by SolGold to land holders so that SolGold may carry out exploration and/or mining activities. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted.

Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

In the case of mining and exploration operations in Solomon Islands, there is a complex land tenure structure and while the Tenements and those Access Agreements entered into between Australian Resource Management (ARM) Pty Ltd ("ARM") and Honiara Holdings Pty. Ltd. and various landowners entitle it to explore for the duration of the term of each PL, the existing legislative framework only provides for limited forms of negotiation between the landowners/ community leaders on the one hand and mining companies on the other. It is also incumbent on the Director of Mines and the mining tenement holder to identify which landowners and community leaders they need to negotiate with. SolGold does not guarantee

that the identifications made to date and upon which the Access Agreements are currently based may not be contested. As a consequence there may be unexpected difficulties experienced in progressing a promising resource into a commercial mining operation.

SolGold has also procured Access Agreements for areas within the Tenements. Whilst SolGold believes that it is entitled to rely upon the same to conduct exploration within these areas, no assurance can be given that there may not be some future challenge to SolGold's ability to do so.

Whilst SolGold has the Access Agreements with landowners covering the majority of the prospective areas identified by SolGold within the Tenements, its ability to carry out exploration in the residual areas will require additional access agreements to be entered into. The ability of SolGold to secure the benefits of all the Access Agreements is dependent upon, inter alia, the contracting parties' willingness to perform and discharge their obligations thereunder. There may be legal and commercial limitations in respect of enforcement of contractual rights. Additionally, SolGold will not be permitted to explore in areas nominated by the landowners as reserved or protected areas in the Solomon Islands under section 4(2) of the Mining Act. Whilst SolGold is actively seeking to liaise with landowners to identify relevant reserved or protected areas, some considerable uncertainty exists as to the precise location of these areas, the identification of which requires the input of the indigenous population. The inability of SolGold to identify these areas, or a claim by landowners that reserved or protected areas exist over areas identified by SolGold as prospective, may have a material adverse effect on the ability of SolGold to conduct its exploration programme in the manner identified in this document.

Government policy, impassable or difficult access as a result of the terrain, seasonal climatic effects or inclement weather can also adversely impact SolGold's activities.

## ENVIRONMENTAL RISK

SolGold's operations and projects are expected to have an impact on the environment, particularly if advanced exploration or mine development proceeds.

Its activities are or will be subject to in-country national and local laws and regulations regarding environmental hazards. These laws and regulations set various standards regulating certain aspects of health and environmental quality and provide for penalties and other liabilities for the violation of such standards. In certain circumstances they establish obligations to remediate current and former facilities and locations where operations are or were conducted. Significant liability could be imposed on SolGold for damages, clean-up costs, or penalties in the event of certain discharges into the environment, environmental damage caused by previous owners of property acquired by SolGold or its subsidiaries, or non-compliance with environmental laws or regulations. SolGold proposes to minimise these risks by conducting its activities in an environmentally responsible manner, in accordance with applicable laws and regulations, and where possible, by carrying appropriate insurance coverage. Nevertheless, there are certain risks inherent in SolGold's activities which could subject it to extensive liability.

## GEOPOLITICAL, REGULATORY AND SOVEREIGN RISK

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of SolGold.

SolGold's exploration tenements are located in Ecuador, the Solomon Islands and Australia and are subject to the risks associated with operating both in domestic and foreign jurisdictions. As the Solomon Islands and Ecuador are developing countries, their legal and political systems are emerging when compared to those in operation in Australia and the United Kingdom. Such risks include, but are not limited to:

- economic, social or political instability or change;
- hyperinflation, currency non-convertibility or instability;
- changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, resource rent taxes, repatriation of capital, environmental

- protection, mine safety, labour relations;
- government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents;
- delays and declines in the standard and effective operation of SolGold's activities, unforeseen and un-budgeted costs, and/or threats to occupational health and safety as a consequence of geopolitical, regulatory and sovereign risk.

## Queensland

The Queensland Minister for Natural Resources, Mines and Energy conducts reviews from time to time of policies relating to the granting and administration of mining tenements. At present, SolGold is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the Aboriginal Cultural Heritage Act 2003 and the Torres Strait Islander Cultural Heritage Act 2003 (which commenced on 16 April 2004) impose duties of care which require persons, including SolGold, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires SolGold to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights' issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect SolGold's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

# STRATEGIC REPORT

## **Solomon Islands**

The Solomon Islands minerals board may from time to time amend and review its policies on mining and exploration in the Solomon Islands. Any such changes in Government policy may affect the ability of SolGold to conduct and undertake mining and exploration in the Solomon Islands.

## **Ecuador**

SolGold's Cascabel project in Ecuador may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in that jurisdiction. Additionally, SolGold's operations may be detrimentally affected in the event that the Ecuadorian government were to default on its foreign debt obligations or become subject to wider global economic and investment uncertainty. SolGold is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador however any future or proposed changes may adversely affect the Cascabel project or SolGold's ability to operate successfully in Ecuador.

Under the current legislative regime, a mining corporation and the Ecuadorian Government must enter into an exploitation contract prior to exploitation of natural resources. There is no certainty that SolGold will be able to successfully enter into an exploitation contract, or enter into one on commercially favourable terms, and such a scenario may adversely impact on the Cascabel project or render it uneconomical.

# STRATEGIC REPORT

## **FINANCIAL REVIEW**

The Company achieved several milestones during the financial year ended 30 June 2014. These included:

- Earning an 85% interest in Exploraciones Novomining S.A. and transitioning the operatorship of the project from Cornerstone Capital Resources Inc. to SolGold.
- Drilling of seven holes at the Cascabel project, intersecting long runs of copper and gold mineralisation and the team gaining a better understanding of the geology and mineralisation of the potential prospects.
- The completion of successful raisings totalling approximately \$14.32 million during the year from institutional and professional investors.

## **RESULTS**

The Group incurred a loss before tax of \$4,831,216 for the year, including the impairment and write off of exploration expenses during the year of \$2.2 million. The Group considered it necessary to make a provision for impairment of \$2,177,290 as it relates to the deferred exploration assets of the Fauro, Lower Koloula and Malakuna projects as further exploration was neither budgeted nor planned. A decision was also made to expense \$69,200 for exploration expenditure associated with other tenements that were dropped during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in Note 25.

## **STATEMENT OF FINANCIAL POSITION**

As at 30 June 2014, the Group had net assets of approximately \$29.6 million, an increase of approximately \$10.8 million over the previous financial year. This increase was largely associated with the completion of \$13.6 million in placements net of costs and an increase in the value of available for sale financial assets of \$1.7 million offset by the exploration write off and impairment charge of \$2.2 million recognised over the Groups' exploration assets and annual operating expenses of approximately \$2.7 million.

The only interest-bearing debt incurred by the Group included a minor leasing facilities which was paid in full during the year ended 30 June 2014.

## **CASH FLOW**

Our cash expenditure for the year was approximately \$9.7 million, including the repayment of borrowings. Cash of approximately \$13.4 million was received from the issue of securities. Accordingly, the net cash inflow of the Company for the year was approximately \$3.7 million.

Cash of approximately \$5.8 million was invested by the Group on exploration expenditure during the year.

## **CLOSING CASH**

As at 30 June 2014, the Group held cash balances of \$4.55 million (2013: \$0.88 million).

## **POST REPORTING DATE EVENTS**

On 8 July 2014, the Company issued 4,360,000 options to Directors. The options consist of two tranches with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 8 July 2017.

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 financial statements.

## **OUTLOOK**

The exploration programs for 2015 will focus on Cascabel along with finding joint venture partners for the Group's Fauro, Rannes, Normanby, and Mt Perry projects. Discussions on the future exploration program at each of the projects is detailed in the Operations Report.



# STRATEGIC REPORT

## KEY PERFORMANCE INDICATORS

Given the stage of the Group's operations, the Board regards the maintenance of tenure and land access arrangements, maintenance of operation capabilities and the continued collection of exploration data in order to advance the prospectivity of the project areas to be the key performance indicators in measuring the Group's success. The review of the business with reference to key performance indicators is set out in the Operations Report and Financial Review.

## FINANCIAL CONTROLS AND RISK MANAGEMENT

The Board regularly reviews the risks to which the Group is exposed and ensures through Board Committees and regular reporting that these risks are managed and minimised as far as possible. The Audit Committee is responsible for the implementation and review of the Group's internal financial controls and financial risk management systems.

## NOMINATED ADVISORS AND BROKERS

SP Angel Corporate Finance LLP act as Nominated Advisor and Broker to the Company.

## EQUITY

Since the date of the last Annual Report, the Company has issued the following equities:

On 15 July 2013, the Company issued 7,500,000 options to its Chief Geologist. The options consist of three tranches with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 15 July 2016.

On 6 September 2013, the Company issued an additional 700,000 shares at £0.13 pursuant to the achievement of certain employment related milestones, including under the CRPS.

On 24 September 2013, the Company issued 7,320,000 options to contractors and staff. The options consist of three tranches with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 24 September 2016.

On 25 September 2013, the Company issued an additional 49,840,967 shares at £0.075 to raise \$6.4 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 10 March 2014, the Company issued an additional 488,560 shares to Cornerstone Capital Resources Inc as part consideration for SolGold moving to 85% ownership of Exploraciones Novomining S.A.

On 24 March 2014, the Company issued an additional 47,769,333 shares at £0.09 to raise \$7.8 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 10 July 2014, the Company issued 4,360,000 options to its board of directors. The options consist of two tranches with varying with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 8 July 2017.

At year end the Company had a total of 652,153,202 shares and 33,920,000 options on issue. As at the date of this report, the Company had a total of 652,153,202 shares and 35,280,000 options on issue.

The strategic report was authorised for issue and signed on behalf of the directors by,



Alan Martin  
Chief Executive Officer and Managing Director  
6 November 2014

# GOVERNANCE

## DIRECTORS AND COMPANY SECRETARY

The Board consists of two Executive Directors and three Non-Executive Directors.

### ALAN MARTIN

**(Managing Director and Chief Executive Officer)**

Alan Martin (53), appointed Chief Executive Officer 10 May 2013 and appointed Managing Director 8 October 2013, brings to SolGold more than 20 years of technical, commercial and financial investment experience in the Australian resources industry. He has a strong passion for exploration and considerable financial experience.

Alan Martin graduated from Lakehead University, in Ontario, Canada. After completing an Honours Bachelor of Science Degree (Geology major) in 1985, he moved to Australia and joined Delta Gold NL as an exploration geologist with a focus on gold and base metal projects. In 1992, he entered the Australian investment industry as a mining analyst at Westpac Investment Management and has worked with major Australian financial institutions over the last 20 years. Alan Martin was particularly successful during his tenure at IAG Asset Management from 2005 to 2008, delivering outstanding investment returns from his successful investment recommendations of major and junior mining stocks. During his last 3 years at Colonial First State Global Asset Management, he specialised in junior mining and exploration companies with particular focus on identifying the exploration projects that enable junior companies to create exceptional shareholder value.

Alan Martin also has direct corporate experience in leading exploration ventures. In 1995, he was a founding director of Austminex NL, a private exploration company which raised \$8 million in an IPO in 2000.

### NICHOLAS MATHER

**(Executive Director)**

Nicholas Mather (57), appointed 11 May 2005, graduated in 1979 from the University of Queensland with a B.Sc. (Hons, Geology). He has over 25 years'

experience in exploration and resource company management in a variety of countries. His career has taken him to numerous countries exploring for precious and base metals and fossil fuels. Nicholas Mather has focused his attention on the identification of and investment in large resource exploration projects.

He was Managing Director of BeMaX Resources NL (an ASX-listed company) from 1997 until 2000 and instrumental in the discovery of the world class Ginkgo mineral sand deposit in the Murray Basin in 1998. As an executive Director of Arrow Energy NL (also ASX-listed) until his resignation in 2004, Nicholas Mather drove the acquisition and business development of Arrow's large Surat Basin Coal Bed Methane project in south-east Queensland. He was managing Director of Auralia Resources NL, a junior gold explorer, before its USD23 million merger with Ross Mining NL in 1995. He was a non-executive Director of Ballarat Goldfields NL until 2004, having assisted that company in its recapitalisation and re-quotation on the ASX in 2003.

Nicholas Mather is Chief Executive of DGR Global Limited and non-executive Director of ASX-listed companies Armour Energy Limited, Aus Tin Mining Limited, Navaho Gold Limited, Orbis Gold Limited and Lakes Oil NL.

### BRIAN MOLLER

**(Non-Executive Chairman)**

Brian Moller (55), appointed 11 May 2005, is a corporate partner in the Brisbane-based law firm Hopgood Ganim Lawyers, the Australian solicitors to the Company. He was admitted as a solicitor in 1981 and has been a partner at Hopgood Ganim since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

Brian Moller holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

## GOVERNANCE

Brian Moller acts for many publicly-listed resource and industrial companies and brings a wealth of experience and expertise to the board, particularly in the corporate regulatory and governance areas. He is a non-executive Director of ASX listed DGR Global Limited, Navaho Gold Limited and Platina Resources Limited, and the non-executive Chairman of ASX-listed Aus Tin Mining Limited.

### DR ROBERT WEINBERG

#### *(Non-Executive Director)*

Robert Weinberg (67), appointed 22 November 2005, gained his doctorate in geology from Oxford University in 1973. He has more than 35 years' experience of the international mining industry and is an independent mining research analyst and consultant. He is a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining.

Prior to his current activities he was Managing Director, Institutional Investment at the World Gold Council. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities. He has also held senior positions within Société Générale and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

Robert Weinberg is a non-executive Director of the ASX listed Kasbah Resources Limited, Medusa Mining Limited, which is a company listed on the ASX and LSE and of Chaarat Gold Holdings Limited, a company listed on AIM.

### JOHN BOVARD

#### *(Non-Executive Director)*

John Bovard (67), appointed 2 November 2009, is a civil engineer with over 40 years' experience in mining, heavy construction, project development and corporate management throughout Australia. His career to date has included roles as CEO of public companies and both Executive and Non-Executive Directorships. He holds a Bachelors Degree in Civil Engineering, is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Fellow of the Australian Institute of Company Directors.

John Bovard is currently the Non-Executive Chairman of the ASX-listed Mt Isa Metals Limited and Australian Pacific Coal Limited (formerly Pacific Enviromin Limited). Other roles within the past five (5) years have included acting as the interim CEO of Australian Solomons Gold Ltd (April 2007 to January 2008) and the Non-Executive Chairman of Axiom Mining Ltd (June 2006 to April 2007). From March 2002 to June 2006, Mr Bovard acted as the CEO of Asia Pacific Resources Ltd (listed on the TSX) developing a large potash resource in Thailand. Other Directorships have included Danae Resources NL (Managing Director) and Greenwich Resources Plc, both through to early 2006.

He was also Project Manager for the \$A800 million Phosphate Hill Fertiliser Project for Western Mining Corporation (WMC) situated south of Mount Isa in Queensland, Australia. Other previous project experience includes managing the construction of the Porgera Mine in Papua New Guinea, the Super Pit expansion at Kalgoorlie, and the development of the Bronzewing Gold Mine in Western Australia. He was previously the General Manager of the giant OK Tedi porphyry Copper Gold Mine. John Bovard's corporate profile, together with his extensive experience in south west Pacific mining operations and construction is considered to be of great value to SolGold Plc.

## GOVERNANCE

### COMPANY SECRETARY

#### KARL SCHLOBOHM

##### *(Company Secretary)*

Karl Schlobohm (46) has over twenty (20) years' experience in the accounting profession across a wide range of businesses and industries. He has previously been contracted into CFO roles with ASX-listed resource companies Discovery Metals Limited and Meridian Minerals Limited, and as Company Secretary of ASX-listed Linc Energy Limited, Agenix Limited, Discovery Metals Limited and Global Seafood Australia Limited.

Mr Schlobohm is a Chartered Accountant and holds Bachelor Degrees in Commerce and in Economics, and a Masters Degree in Taxation.

Mr Schlobohm is also contracted to act as the Company Secretary of the ASX-listed DGR Global Limited, Navaho Gold Limited, Aus Tin Mining Limited and Armour Energy Limited.

### DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2014.

#### PRINCIPAL ACTIVITIES

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are gold and mineral exploration in Ecuador, the Solomon Islands, and Queensland, Australia. Details of the Group's activities, together with a description of the principal risks and uncertainties facing the Group, and the development of the business, are given in the Strategic Report.

The principal activity of the Company is that of a holding company.

#### BUSINESS REVIEW

A detailed review of the Group's business and future developments is set out in the Operations Report and Financial Review.

The principal risks and uncertainties facing the Group at its present stage of development are given under Risks and Uncertainties.

#### LAND AND BUILDINGS

During the year ended 30 June 2014 the Group disposed of its land and buildings held in the Solomon Islands. The Group has no other interests in any land and buildings.

#### GOING CONCERN

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The Group and the Company has not generated revenues from operations. As such, the Group's and Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raising, it may not be able to fully develop its projects.

#### CURRENCY

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The presentational currency of the Group is Australian dollars ("A\$") and all amounts presented in the Directors' Report and financial statements are presented in Australian dollars unless otherwise indicated.

#### RESULTS

The Group's consolidated loss for the year was \$4,831,216 (2013: \$29,895,902).

## GOVERNANCE

### CHANGES IN SHARE CAPITAL DURING 2014

A statement of changes in the share capital of the Company is set out in Note 17 to the financial statements.

### DIVIDENDS PAID OR RECOMMENDED

The Directors do not recommend the payment of a dividend (2013: nil).

### FINANCIAL INSTRUMENTS

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's or Group's activities. The Company's financial instruments consist mainly of deposits with banks, accounts payable, and loans to subsidiaries. Further details of financial risk management objectives and policies, and exposure of the group to financial risks are provided in Note 21 to the financial statements.

### POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group policy on the payment of creditors is to settle bills in accordance with the terms agreed with suppliers.

At the year-end there were 8 days (2013: 29 days) worth of purchases in Group trade creditors and 9 days (2013: 25 days) worth of purchases in Company trade creditors.

### DIRECTORS AND DIRECTORS' INTERESTS

The Directors who held office during the period were as follows:

Alan Martin	CEO & Managing Director (appointed CEO 10 May 2013 and appointed Managing Director 8 October 2013)
Nicholas Mather	Executive Director
Brian Moller	Non-Executive Chairman
Robert Weinberg	Non-Executive Director
John Bovard	Non-Executive Director

The Company has a Directors' and Officers' Liability insurance policy with Chartis Australia Insurance Limited for all its Directors.

The Directors who held office at the end of the financial year held direct and indirect interests in the ordinary shares and unlisted options of the Company as shown in the tables below.

SHARES HELD	AT 30 JUNE 2014	AT 30 JUNE 2013
Alan Martin	9,200,000	-
Nicholas Mather	65,519,569	62,521,748
Brian Moller	2,393,972	1,811,720
Robert Weinberg	2,304,971	2,055,530
John Bovard	3,307,553	3,103,958

There were 16,000,000 options issued to Directors during the year (2013: nil).

## GOVERNANCE

SHARE OPTIONS HELD	AT 30 JUNE 2014	AT 30 JUNE 2013	OPTION PRICE	EXERCISE PERIOD
Alan Martin	16,000,000	-	14p - 50p	28/06/13 - 28/06/15
Nicholas Mather	3,000,000	4,200,000	6p - 50p	31/05/12 - 19/08/14
Brian Moller	-	880,000	50p	31/05/12 - 31/05/14
Robert Weinberg	-	880,000	50p	31/05/12 - 31/05/14
John Bovard	-	880,000	50p	31/05/12 - 31/05/14

### MAJOR SHAREHOLDERS

The following parties represented the top 10 shareholders visible on the Company's Register in the Company as at 8 October 2014.

MAJOR SHAREHOLDERS	MAJOR SHAREHOLDERS	% OF ISSUED CAPITAL
Pershing Nominees Limited <WRCLT>	140,521,871	21.55
Pershing Nominees Limited <WRCLT>	59,123,240	9.07
Barclayshare Nominees Limited	55,366,165	8.49
TD Direct Investing Nominees (Europe) Limited <SMKTNOMS>	54,118,800	8.30
HSDL Nominees Limited	34,545,714	5.30
HSBC Client Holdings Nominee (UK) Limited <731504>	25,425,966	3.90
Hargreaves Lansdown (Nominees) Limited <HLNOM>	19,830,401	3.04
W B Nominees Limited	18,259,992	2.80
Investor Nominees Limited <NOMINEE>	13,367,437	2.05
Roy Nominees Limited <100284>	12,553,116	1.92

# GOVERNANCE

## CORPORATE GOVERNANCE

In formulating the Company's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in the UK Corporate Governance Code to the extent they consider appropriate in light of the Company's size, stage of development and resources. However, given the size of the Company, at present the Board of Directors do not consider it necessary to adopt the Code in its entirety.

The Board of SolGold plc is made up of two Executive Directors and three Non-executive Directors. Nicholas Mather is an Executive Director and Alan Martin is the Company's Chief Executive Officer. Alan Martin was appointed as Managing Director on 8 October 2013. It is the Board's policy to maintain independence by having at least half of the Board comprising Non-executive Directors who are free from any material business or other relationship with the Group. The structure of the Board ensures that no one individual or group is able to dominate the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the Directors in a timely manner, prior to Board meetings. The Board also receives summary financial and operational reports before each Board meeting. The Board delegates certain of its responsibilities to management, who have clearly defined terms of reference.

All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any Director may take independent professional advice at the Company's expense in the furtherance of his duties. One third of the Directors retire from office at every Annual General Meeting of the Company. In general, those Directors who have held office the longest time since their election are required to retire. A retiring Director may be re-elected and a Director appointed

by the Board may also be elected, though in the latter case the Director's period of prior appointment by the Board will not be taken into account for the purposes of rotation.

The Audit Committee, which meets not less than twice a year, is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored as well as liaising with the Company's auditor to discuss accounts and the Group's internal controls. The Committee is comprised of the entire Board of Directors. The Audit Committee has reviewed the systems in place and considers these to be appropriate.

The Remuneration Committee meets at least once a year and is responsible for making decisions on Directors' and key management's remuneration packages. The Committee is comprised of the entire Board of Directors.

The remuneration of the non-executive Directors is determined by the executive Directors who consider it essential, notwithstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre for that role. Consequently they believe that it is in the interests of shareholders that non-executive Directors should be provided with share options in addition to the level of fees considered affordable. At 30 June 2014, there were no options on issue. However, on 8 July 2014, 2,860,000 options were issued or just under 0.44% of the current issued share capital, and in the opinion of the executive Directors is not of sufficient magnitude as to affect their independence.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time, in accordance with the AIM rules of the London Stock Exchange rules. The Company's principal communication with its investors is through the Annual General Meeting and through the annual report and accounts and the interim statement.

The 2014 Annual General Meeting will provide an opportunity for the Chairman and/or Chief Executive Officer to present to the shareholders a report on current operations and developments and will enable

# GOVERNANCE

the shareholders to question and express their views about the Company's business. A separate resolution will be proposed on each substantially separate issue, including the receipt of the financial statements and shareholders will be entitled to vote either in person or by proxy.

A Health, Safety, Environment and Community Committee (HSEC Committee) is responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community in Ecuador, Solomon Islands and Queensland, the Committee is comprised of the entire Board of Directors.

## EXECUTIVE REMUNERATION STRATEGY

Remuneration of Executive Directors is established by reference to the remuneration of executives of equivalent status both in terms of the level of responsibility of the position and by reference to their job qualifications and skills. The Remuneration Committee will also have regard to the terms which may be required to attract an executive of equivalent experience to join the Board from another company. Such packages include performance related bonuses and the grant of share options.

## POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable donations in the year (2013: nil).

## RELATED PARTY TRANSACTIONS

Details of related party transactions for the Group and Company are given in note 23. Key management personnel remuneration disclosures are given in note 5.

## DIRECTORS' INDEMNITY

The Company has arranged appropriate directors' and officers' insurance to indemnify the directors against liability in respect of

proceedings brought by third parties. Such provisions remain in force at the date of this report.

## AUDITOR

A resolution for the appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

## SUBSEQUENT EVENTS

The Directors are not aware of any significant changes in the state of affairs of the Company after the balance date that is not covered in this report.

## DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Website publication**

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

### **DISCLOSURE OF AUDIT INFORMATION**

In the case of each person who are Directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the Company's auditor is unaware; and
- Each of the Directors has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the information.

This report was approved by the board on 6 November 2014 and signed on its behalf.



**Karl Schlobohm**  
**Company Secretary**  
Lvl 27, 111 Eagle St  
Brisbane QLD 4000  
Australia

# INDEPENDENT AUDITOR'S REPORT



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## To the Member of SolGold plc

We have audited the financial statements of SolGold PLC for the year ended 30 June 2014 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes in equity, the consolidated and company statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

## Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2014 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Emphasis of matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the Group's and the Company's ability to continue as a going concern. The Directors have reviewed the financial position of the Group and the Company and acknowledge that additional funds need to be raised either through third parties or capital raisings. Although the directors are confident of being able to obtain additional funds, this cannot be guaranteed and there are no legally binding agreements in place relating to the raising of additional funds. These circumstances indicate the existence of a material uncertainty, which may cast significant doubt on the Group and Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company were unable to continue as a going concern.

# INDEPENDENT AUDITOR'S REPORT



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## Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

BDO MP

Anne Sayers (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
Date

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# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 30 June 2014

Consolidated Statement of Comprehensive Income

	NOTES	GROUP 2014 \$	GROUP 2013 \$
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income		50,504	-
<b>Expenses</b>			
Exploration costs written-off	12	(2,246,491)	(27,300,641)
Administrative		(2,652,356)	(2,631,766)
<b>Operating loss</b>		<b>(4,848,343)</b>	<b>(29,932,407)</b>
Share of associate profits		-	29,775
Finance income	6	18,185	7,448
Finance costs	6	(1,058)	(718)
<b>Loss before tax</b>	3	<b>(4,831,216)</b>	<b>(29,895,902)</b>
Tax expense	7	-	-
<b>Loss for the year</b>		<b>(4,831,216)</b>	<b>(29,895,902)</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified into profit or loss</i>			
Change in fair value of available-for-sale financial assets	10b	1,703,620	10,390
Exchange differences on translation of foreign operations		72,158	-
<b>Total comprehensive income for the year</b>		<b>(3,055,438)</b>	<b>(29,885,512)</b>
Loss for the year attributable to:			
Owners of the parent company		(4,831,216)	(29,895,902)
Non-controlling interest		-	-
		<b>(4,831,216)</b>	<b>(29,895,902)</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## For the year ended 30 June 2014

Consolidated Statement of Comprehensive Income

	NOTES	GROUP 2014 \$	GROUP 2013 \$
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent company		(3,127,596)	(29,885,512)
Non-controlling interest		-	-
		<b>(3,127,596)</b>	<b>(29,885,512)</b>
<b>Earnings per share</b>			
		Cents per share	Cents per share
Basic earnings per share	8	(0.8)	(6.9)
Diluted earnings per share	8	(0.8)	(6.9)

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

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

### As at 30 June 2014

Consolidated and Company Statements of Financial Position

	NOTES	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
<b>Assets</b>					
Property, plant and equipment	11	133,742	167,130	16,801	22,700
Intangible assets	12	21,451,449	14,578,178	640,855	29,209
Investment in subsidiaries	9	-	-	21,941,839	15,361,177
Investment in associates	10(a)	-	2,769,647	-	2,769,647
Investment in available for sale securities	10(b)	2,942,116	458,510	2,942,116	458,510
Loans receivable and other non-current assets	13	169,353	92,893	7,169	5,569
<b>Total non-current assets</b>		<b>24,696,660</b>	<b>18,066,358</b>	<b>25,548,780</b>	<b>18,646,812</b>
Other receivables and prepayments	15	1,112,340	311,088	1,015,123	272,745
Cash and cash equivalents	16	4,547,229	880,424	4,159,071	826,768
<b>Total current assets</b>		<b>5,659,569</b>	<b>1,191,512</b>	<b>5,174,194</b>	<b>1,099,513</b>
<b>Total assets</b>		<b>30,356,229</b>	<b>19,257,870</b>	<b>30,722,974</b>	<b>19,746,325</b>
<b>Equity</b>					
Share capital	17	11,106,524	9,361,755	11,106,524	9,361,755
Share premium	17	78,434,985	66,418,526	78,434,985	66,418,526
Other reserves		2,763,046	3,233,263	2,758,752	3,233,263
Accumulated loss		(62,826,199)	(60,209,103)	(62,005,995)	(59,610,996)
Non-controlling interest		90,572	-	-	-
<b>Total equity</b>		<b>29,568,928</b>	<b>18,804,441</b>	<b>30,294,266</b>	<b>19,402,548</b>

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

### As at 30 June 2014

Consolidated and Company Statements of Financial Position

	NOTES	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
<b>Liabilities</b>					
Finance lease liabilities	18	-	14,428	-	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>14,428</b>	<b>-</b>	<b>-</b>
Finance lease liabilities	18	-	9,148	-	-
Trade and other payables	19	787,301	429,853	428,708	343,777
<b>Total current liabilities</b>		<b>787,301</b>	<b>439,001</b>	<b>428,708</b>	<b>343,777</b>
<b>Total liabilities</b>		<b>787,301</b>	<b>453,429</b>	<b>428,708</b>	<b>343,777</b>
<b>Total equity and liabilities</b>		<b>30,356,229</b>	<b>19,257,870</b>	<b>30,722,974</b>	<b>19,746,325</b>

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

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 6 November 2014.



Alan Martin  
Director



# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGE IN EQUITY

## For the year ended 30 June 2014

### Consolidated Statement of Changes in Equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE	SHARE OPTION RESERVE	CONVERTIBLE REDEEMABLE PREFERENCE SHARE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CHANGE IN PROPORTIONATE INTEREST RESERVE	ACCUMULATED LOSS	NON-CONTROLLING INTERESTS	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2012	17	5,791,534	61,216,133	-	3,145,297	-	-	-	(30,325,921)	(46,183)	39,780,860
Loss for the year		-	-	-	-	-	-	-	(29,895,902)	-	(29,895,902)
Other comprehensive income		-	-	10,390	-	-	-	-	-	-	10,390
<b>Total comprehensive income for the year</b>		-	-	10,390	-	-	-	-	(29,895,902)	-	(29,885,512)
New share capital subscribed		3,551,968	5,596,692	-	-	-	-	-	-	-	9,148,660
Share issue costs		-	(394,299)	-	74,461	-	-	-	-	-	(319,838)
Value of shares and options issued to Directors, employees and consultants		-	-	-	30,477	-	-	-	-	-	30,477
Value of share options forfeited during the year		-	-	-	(27,362)	-	-	-	-	-	(27,362)
Value of performance shares issued to employees		-	-	-	-	77,156	-	-	-	-	77,156
Conversion of preference shares to ordinary shares		18,253	-	-	-	(77,156)	-	-	58,903	-	-
Disposal of non-controlling interest in subsidiary acquired		-	-	-	-	-	-	-	(46,183)	46,183	-
<b>Balance at 30 June 2013</b>	17	9,361,755	66,418,526	10,390	3,222,873	-	-	-	(60,209,103)	-	18,804,441

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGE IN EQUITY

## For the year ended 30 June 2014

### Consolidated Statement of Changes in Equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE	SHARE OPTION RESERVE	CONVERTIBLE REDEEMABLE PREFERENCE SHARE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	CHANGE IN PROPORTIONATE INTEREST RESERVE	ACCUMULATED LOSS	NON-CONTROLLING INTERESTS	TOTAL
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 30 June 2013	17	9,361,755	66,418,526	10,390	3,222,873	-	-	-	(60,209,103)	-	18,804,441
Loss for the year		-	-	-	-	-	-	-	(4,831,216)	-	(4,831,216)
Other comprehensive income		-	-	1,703,620	-	-	72,158	-	-	-	1,775,778
<b>Total comprehensive income for the year</b>		-	-	1,703,620	-	-	72,158	-	(4,831,216)	-	(3,055,438)
New share capital subscribed		1,732,825	12,595,988	-	-	-	-	-	-	-	14,328,813
Share issue costs		-	(722,860)	-	-	-	-	-	-	-	(722,860)
Value of shares and options issued to Directors, employees and consultants		-	-	-	35,989	-	-	-	-	-	35,989
Value of share options forfeited during the year		-	-	-	(2,214,120)	-	-	-	-	-	(2,214,120)
Value of bonus shares issued to employees		11,944	143,331	-	-	-	-	-	-	-	155,275
Non-controlling interest in subsidiary acquired		-	-	-	-	-	(67,864)	-	-	90,572	22,708
<b>Balance at 30 June 2014</b>	17	11,106,524	78,434,985	1,714,010	1,044,742	-	72,158	(67,864)	(62,826,199)	90,572	29,568,928

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

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGE IN EQUITY

### For the year ended 30 June 2014

#### Company Statement of Changes in Equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE	SHARE OPTION RESERVE	CONVERTIBLE REDEEMABLE PREFERENCE SHARE RESERVE	ACCUMULATED LOSS	TOTAL
		\$	\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2012</b>	17	5,791,534	61,216,133		3,145,297		(28,491,681)	41,661,283
Loss for the year							(31,178,218)	(31,178,218)
Other comprehensive income				10,390				10,390
<b>Total comprehensive income for the year</b>				10,390			(31,178,218)	(31,167,828)
New share capital subscribed		3,551,968	5,596,692					9,148,660
Share issue costs			(394,299)		74,461			(319,838)
Value of shares and options issued to Directors, employees and consultants					30,477			30,477
Value of share options forfeited during the year					(27,362)			(27,362)
Value of performance shares issued to employees						77,156		77,156
Conversion of performance shares to ordinary shares		18,253				(77,156)	58,903	
<b>Balance at 30 June 2013</b>	17	9,361,755	66,418,526	10,390	3,222,873		(59,610,996)	19,402,548

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGE IN EQUITY

### For the year ended 30 June 2014

#### Company Statement of Changes in Equity

	NOTES	SHARE CAPITAL	SHARE PREMIUM	AVAILABLE FOR SALE FINANCIAL ASSETS RESERVE	SHARE OPTION RESERVE	CONVERTIBLE REDEEMABLE PREFERENCE SHARE RESERVE	ACCUMULATED LOSS	TOTAL
		\$	\$	\$	\$	\$	\$	\$
Loss for the year		-	-	-	-	-	(4,609,119)	(4,609,119)
Other comprehensive income		-	-	1,703,620	-	-	-	1,703,620
<b>Total comprehensive income for the year</b>		-	-	1,703,620	-	-	(4,609,119)	(2,905,499)
New share capital subscribed		1,732,825	12,595,988	-	-	-	-	14,328,813
Share issue costs		-	(722,860)	-	-	-	-	(722,860)
Value of shares and options issued to Directors, employees and consultants		-	-	-	35,989	-	-	35,989
Value of share options forfeited during the year		-	-	-	(2,214,120)	-	2,214,120	-
Value of bonus shares issued to employees		11,944	143,331				-	155,275
<b>Balance at 30 June 2014</b>	17	11,106,524	78,434,985	1,714,010	1,044,742		(61,862,664)	30,294,266

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

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

### For the year ended 30 June 2014

Consolidated and Company Statements of Cash Flows

	NOTES	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
<b>Cash flows from operating activities</b>					
Operating loss		(4,848,343)	(29,932,407)	(4,625,649)	(31,178,218)
Depreciation		35,025	62,550	10,254	9,075
Share based payment expense		191,264	80,271	191,264	80,271
Write-off of exploration expenditure		2,246,491	27,300,641	-	-
(Profit) loss on sale of property, plant and equipment		(50,504)	2,244	-	-
Impairment of investments in subsidiaries		-	-	2,045,216	28,651,475
(Increase) decrease in other receivables and prepayments		(801,252)	157,974	(742,377)	(21,942)
Increase (decrease) in trade and other payables		803,470	402,284	741,150	(84,196)
<b>Net cash outflow from operating activities</b>		<b>(2,423,849)</b>	<b>(2,006,714)</b>	<b>(2,380,142)</b>	<b>(2,543,545)</b>
<b>Cash flows from investing activities</b>					
Interest received		18,185	7,448	16,531	5,988
Interest paid		(1,058)	(718)	(1,052)	(690)
Security deposit (payments)/refunds		(4,622)	5,520	(1,600)	2,000
Acquisition of property, plant and equipment		(102,575)	(4,710)	(4,355)	(4,710)
Proceeds from the sale of property, plant and equipment		157,863	72,707	-	-
Acquisition of exploration and evaluation assets		(5,825,393)	(2,822,260)	(398,347)	(29,209)
Acquisition of subsidiaries (net of cash)	24	13,901	1	-	-
Investment in available for sale securities		(779,982)	(448,120)	(779,982)	(448,120)
Investment in associates		-	(2,517,664)	-	(2,517,664)
Loans advanced to third parties		-	-	-	-
Loans advanced to subsidiaries		-	-	(5,756,661)	(2,254,043)
<b>Net cash outflow from investing activities</b>		<b>(6,523,681)</b>	<b>(5,707,797)</b>	<b>(6,925,466)</b>	<b>(5,237,029)</b>

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

### For the year ended 30 June 2014

Consolidated and Company Statements of Cash Flows

	NOTES	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary share capital		13,360,770	8,575,084	13,360,770	8,575,084
Payment of issue costs		(722,859)	(311,488)	(722,859)	(311,488)
Repayment of borrowings		(23,576)	(109,284)	-	-
<b>Net cash inflow from financing activities</b>		<b>12,614,335</b>	<b>8,154,312</b>	<b>12,637,911</b>	<b>8,263,596</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>3,666,805</b>	<b>439,801</b>	<b>3,332,303</b>	<b>483,032</b>
Cash and cash equivalents at the beginning of year		880,424	440,623	826,768	343,736
<b>Cash and cash equivalents at end of year</b>		<b>4,547,229</b>	<b>880,424</b>	<b>4,159,071</b>	<b>826,768</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

*For the year ended 30 June 2014*

## NOTE 1 ACCOUNTING POLICIES

The Company is a public limited company incorporated in England and Wales and is listed on the AIM market of the London Stock Exchange.

### (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), as adopted by 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 accounting policies set out below have been applied consistently throughout these consolidated financial statements.

### (B) BASIS OF PREPARATION OF FINANCIAL STATEMENTS, GOING CONCERN AND AVAILABILITY OF PROJECT FINANCE

The consolidated financial statements are presented in Australian dollars ("A\$"), rounded to the nearest dollar.

The Company was incorporated on 11 May 2005. The Group has elected, from incorporation, to prepare annual consolidated financial statements in accordance with IFRS. 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 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 common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. At the reporting date, the Group had a net

current asset position of \$4,872,268, compared with a net current liability position in 2013 of \$752,511. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including future successful capital raisings for necessary funding and the successful exploration and subsequent exploitation of the Group's tenements.

It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through third parties or capital raisings, it may not be able to fully develop its projects and this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

### (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. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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 into line with those used by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

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

### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income where applicable. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates.

### (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.

### (D) FOREIGN CURRENCY

The Company's functional and presentation currency is Australian dollars (A\$). The exchange rates at 30 June 2014 were £0.5544/A\$1.0, US\$0.9439/A\$1.0 and SBD\$6.9001/A\$1.0 (30 June 2013: £0.6002/A\$1.0, US\$0.9218/A\$1.0 and SBD\$6.6372/A\$1.0).

Transactions in foreign currencies 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 Australian dollars at the foreign exchange rate ruling at that date. Any resultant foreign exchange currency translation amount is taken to the profit and loss.

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A\$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD\$). The functional currency of the subsidiaries in Ecuador is considered to be United States Dollars (US\$). The assets and liabilities of the entities are translated to the group presentation currency at rates of exchange ruling at the reporting date. Income and expense items are translated at average rates for the period. Any exchange differences are taken directly to reserves. On disposal of an entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale.

### (E) PROPERTY, PLANT & 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 i below).

#### (ii) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### **(iii) 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. The estimated useful lives of all categories of assets are:

Office Equipment	3 year
Furniture and Fittings	5 years
Motor Vehicles	5 years
Plant and Equipment	5 years
Land and Buildings	12 years

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**

#### **Deferred exploration costs**

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, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

### **(G) LOANS RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS**

Other receivables and prepayments are not interest bearing and are stated at their nominal amount less provision for impairment.

### **(H) 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.

### **(I) IMPAIRMENT**

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.

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. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### **(J) SHARE CAPITAL**

The Company's ordinary shares are classified as equity.

### **(K) 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. 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 20.

#### **(ii) Retirement benefits**

The Group operates a defined contribution pension scheme. Contributions payable for the year are charged to the statement of comprehensive income.

### **(L) 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.

### **(M) TRADE AND OTHER PAYABLES**

Trade and other payables are not interest bearing and are stated at their nominal value. The effect of discounting is immaterial.

### **(N) REVENUE**

During the exploration phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

### **(O) OTHER INCOME**

Other income is recognised in the statement of comprehensive income as it accrues.

### **(P) 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.

### **(Q) 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 balance sheet 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### (R) 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.

### (S) BUSINESS COMBINATIONS

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings on acquisition are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured at each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### (T) 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.

### (U) LEASES

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease.

### (V) FINANCIAL INSTRUMENTS

#### **Recognition and Initial Measurement**

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus 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.

#### **Classification and Subsequent Measurement**

##### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

##### (ii) Financial assets at fair value through | profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets. These assets are measured at fair value with gains or losses recognised in the profit or loss.

##### (iii) Available-for-sale financial assets

Available-for-sale financial assets comprise investments in listed and unlisted entities and non-derivatives that are either designated in this category or not classified in any other categories. After initial recognition, these investments are measured at fair value with gains or losses recognised in other comprehensive income.

##### (iv) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

#### **Fair value**

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value of all other financial assets and liabilities, where appropriate, including recent arm's length transactions, reference to similar instruments and option pricing models.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### **Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

### **Impairment of financial assets**

An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or a group of financial assets may be impaired. If such evidence exists, the estimated recoverable amount of that asset is determined from available information such as quoted market prices or by calculating the net present value of future anticipated cash flows. In estimating these cash flows, management makes judgements about a counterparty's financial situation and the net realisable value of any underlying collateral. Impairment losses are recognised in the profit or loss.

Impairment losses on assets measured at amortised cost using the effective interest rate method are calculated by comparing the carrying value of the asset with the present value of estimated future cash flows at the original effective interest rate.

Where there is objective evidence that an available for sale financial asset is impaired (such as a significant or prolonged decline in the fair value of an available for sale financial asset) the cumulative loss that has been recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When a subsequent event reduces the impairment of an available for sale debt security the impairment loss is reversed through profit or loss. When a subsequent event reduces the

impairment of an available for sale equity instrument the fair value increased is recognised in other comprehensive income.

### **(W) 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) Company statement of comprehensive income**

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company has not been separately presented in these financial statements. The Company's loss for the year was \$4,609,119 (2013: \$31,178,218).

#### **(ii) Subsidiary investments**

Investments in subsidiary undertakings are stated at cost less impairment losses. Expenditure incurred by plc on behalf of a subsidiary, for assets that could be capitalised in accordance with IFRS 6, is recorded within investments in subsidiary undertakings.

### **(X) NATURE AND PURPOSE OF RESERVES**

#### **(i) Available for sale financial assets reserve**

Changes in the fair value and exchange differences arising on translation of investments, such as equities, classified as available for sale financial assets, are recognised in other comprehensive income and accumulated in a separate reserve within equity. Amounts are reclassified to profit or loss when the associated assets are sold or impaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR THE GROUP
IFRS 13	Fair Value Measurements	1 January 2013	1 July 2013
IAS 19	Employee Benefits (amended 2011)	1 July 2013	1 July 2013
IAS 27	Separate Financial Statements	1 July 2013	1 July 2013
IAS 28	Investments in Associates and Joint Ventures	1 July 2013	1 July 2013

#### **(ii) Share option reserve**

The share based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised.
- the grant date fair value of shares issued to employees.

#### **(iii) Convertible Redeemable Preference Share reserve**

This reserve is used to recognise the grant date fair value of Convertible Redeemable Preference Shares ("CRPS's") issued to employees.

REFERENCE	TITLE	APPLICATION DATE OF STANDARD	APPLICATION DATE FOR THE GROUP
IFRS 9	Financial Instruments	1 January 2017	1 July 2017
IFRS 10	Consolidated Financial Statements	1 January 2014	1 July 2014
IFRS 11	Joint Arrangements	1 January 2014	1 July 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014	1 July 2014
IAS 19	Defined Benefit Plans (Amendments)	1 July 2014	1 July 2014
Annual Improvements to IFRS	(2010 - 2012 Cycle)	1 July 2014	1 July 2014
Annual Improvements to IFRS	(2011 - 2013 Cycle)	1 July 2014	1 July 2014

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 1 ACCOUNTING POLICIES CONTINUED

### (iv) Change in proportionate interest reserve

This reserve is used 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.

### (v) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities 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.

### (Y) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended International Accounting Standards and Interpretations as of 1 July 2013:

International Accounting Standards and Interpretations that have been recently issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2014. The impact of the adoption of these new standards and interpretations is yet to be assessed by the Group.

The Company anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information of new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## 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 are therefore not reported separately, are aggregated as Other Subsidiaries.

30 JUNE 2014	FINANCE INCOME	TOTAL INCOME	LOSS FOR THE YEAR	ASSETS	LIABILITIES	SHARE BASED PAYMENTS	DEPRECIATION
	\$	\$	\$	\$	\$	\$	\$
SolGold	16,531	16,531	(4,609,118)	30,722,975	428,708	191,264	10,254
ARM	206	50,710	(990,430)	527,746	32,722,393	-	13,064
Central Minerals	8	8	(41,084)	3,676,099	13,203,872	-	2,262
Acapulco Mining	636	636	(49,427)	5,934,325	3,758,596	-	5,183
Solomon Operations	-	-	(29,746)	12	81,457	-	-
Honiara Holdings	-	-	(2,141)	2,051	957,276	-	-
Guadalcanal Exploration	-	-	(1,151,902)	5,294	1,215,894	-	-
ENSA	803	803	(2,215)	3,536,328	2,751,652	-	4,261
Consolidation / Elimination	-	-	2,044,846	(14,048,601)	(54,332,547)	-	-
<b>Total</b>	<b>18,185</b>	<b>68,689</b>	<b>(4,831,216)</b>	<b>30,356,229</b>	<b>787,301</b>	<b>191,264</b>	<b>35,025</b>



NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 2 SEGMENT REPORTING CONTINUED**

30 JUNE 2013	FINANCE INCOME	TOTAL INCOME	LOSS FOR THE YEAR	ASSETS	LIABILITIES	SHARE BASED PAYMENTS	DEPRECIATION
	\$	\$	\$	\$	\$	\$	\$
SolGold	5,988	5,988	(31,178,218)	37,993,519	318,681	80,271	9,522
ARM	507	507	(12,893,152)	1,485,034	32,689,251	-	21,073
Central Minerals	118	118	(8,582,984)	3,582,305	13,068,993	-	23,382
Acapulco Mining	835	835	(16,750)	5,837,534	3,612,378	-	8,573
Solomon Operations	-	-	(12)	29,758	81,457	-	-
Honiara Holdings	-	-	(998,381)	3,122	956,044	-	-
Guadalcanal Exploration	-	-	(12,363)	1,127,428	1,186,126	-	-
Consolidation/ Elimination	-	-	23,785,958	(40,834,726)	(51,459,501)	-	-
<b>Total</b>	<b>7,448</b>	<b>7,448</b>	<b>(29,895,902)</b>	<b>19,257,870</b>	<b>453,429</b>	<b>80,271</b>	<b>62,550</b>

**Geographical information**

NON-CURRENT ASSETS	2014 \$	2013 \$
UK	-	-
Australia	18,170,684	12,860,582
Solomon Islands	506,145	2,611,879
Ecuador	6,019,831	2,593,897

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

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 3 LOSS BEFORE TAX**

	GROUP 2014 \$	GROUP 2013 \$
<b>Loss is stated after charging (crediting)</b>		
Auditors' remuneration:		
Amounts received or due and receivable by BDO (UK) for:		
The audit of the company's annual accounts	30,325	23,375
Amounts received or due and receivable by related practices of BDO (Australia) for:		
The audit of the company's annual accounts	24,675	20,625
The review of the company's interim report	-	11,000
Other assurance related services	-	37,000
Depreciation	35,025	62,550
Foreign exchange losses	29,764	9,205
Share based payments	191,264	80,271

**NOTE 4 STAFF NUMBERS AND COSTS**

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Corporate finance and administration	10	7	7	7
Technical	120	4	4	4
	<b>130</b>	<b>11</b>	<b>11</b>	<b>11</b>

The aggregate payroll costs of these persons were as follows:

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Wages and salaries	1,767,688	1,218,074	1,166,680	1,218,074
Contributions to defined contribution plans	173,094	93,532	62,804	93,532
Share based payments	191,264	80,271	191,264	80,271
<b>Total staff costs</b>	<b>2,132,046</b>	<b>1,391,877</b>	<b>1,420,748</b>	<b>1,391,877</b>

Included within total staff costs is \$1,442,712 (2013: \$648,712) which has been capitalised as part of deferred exploration costs.

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL**

	BASIC ANNUAL SALARY \$	OTHER BENEFITS <sup>1</sup> \$	PENSIONS \$	TOTAL REMUNERATION \$
<b>2014 Directors</b>				
Alan Martin	289,808	24,434	25,778	340,020
Nicholas Mather	153,750	81,486	-	235,236
Brian Moller	47,083	-	-	47,083
Robert Weinberg	47,083	-	-	47,083
John Bovard	47,083	-	-	47,083
<b>Staff and contractors</b>	<b>680,138</b>	<b>75,689</b>	<b>24,476</b>	<b>780,303</b>
<b>TOTAL</b>	<b>1,264,946</b>	<b>181,609</b>	<b>50,255</b>	<b>1,496,810</b>

	BASIC ANNUAL SALARY \$	OTHER BENEFITS <sup>1</sup> \$	PENSIONS \$	TOTAL REMUNERATION \$
<b>2013 Directors</b>				
Malcolm Norris	291,288	12,508	25,380	329,176
Cameron Wenck	52,883	-	-	52,883
Nicholas Mather	146,250	-	-	146,250
Brian Moller	47,917	-	-	47,917
Robert Weinberg	47,917	-	-	47,917
John Bovard	47,917	-	-	47,917
<b>Staff and contractors</b>	<b>526,746</b>	<b>18,717</b>	<b>42,337</b>	<b>587,800</b>
<b>TOTAL</b>	<b>1,160,918</b>	<b>31,225</b>	<b>67,717</b>	<b>1,259,860</b>

<sup>1</sup> Share based payments issued.

During the year no directors exercised options granted under the employee share option plan (2013: nil).

During the year, employer's social security costs of \$50,255 (2012: \$67,717) were paid in respect of remuneration for key management personnel. Alan Martin (CEO and Managing Director) and Nicholas Mather (Executive Director) are considered to be key management personnel.

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 6 FINANCE INCOME AND COSTS**

	GROUP 2014 \$	GROUP 2013 \$
Interest income	18,185	7,448
<b>Finance income</b>	<b>18,185</b>	<b>7,448</b>
Interest cost	(1,058)	(718)
<b>Finance costs</b>	<b>(1,058)</b>	<b>(718)</b>

**NOTE 7 TAX EXPENSE**

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

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% (2013: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	GROUP 2014 \$	GROUP 2013 \$
<b>Tax reconciliation</b>		
Loss before tax	(4,831,216)	(29,895,902)
Tax at 30% (2013: 30%)	(1,449,365)	(8,968,771)
<b>Effects at 30% (2013: 30%) of:</b>		
Short term temporary differences	437,746	7,740,809
Non-deductible expenses	70,371	21,505
Tax losses carried forward	941,248	1,206,457
<b>Tax on loss</b>	<b>-</b>	<b>-</b>

**Factors that may affect future tax charges**

The Group has carried forward tax losses of approximately \$42.0 million (2013: \$39.0 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 and the Solomon Islands.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of \$4,831,216 (2013: \$29,895,902) and the weighted average number of ordinary shares outstanding of 605,395,853 (2013: 430,235,731).

There is no difference between the diluted loss per share and the basic loss per share presented as the share options on issue during the period and prior period were not considered dilutive. At 30 June 2014 there were 33,920,000 share options on issue (2013: 28,372,000).

## NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	COUNTRY OF INCORPORATION AND OPERATION	PRINCIPAL ACTIVITY	SOLGOLD PLC'S EFFECTIVE INTEREST	
			2014	2013
Australian Resources Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%	100%
Central Minerals Pty Ltd	Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%
Honiara Holdings Pty Ltd	Australia	Exploration	100%	100%
Guadalcanal Exploration Pty Ltd	Australia	Exploration	100%	100%
Exploraciones Novomining S.A.	Ecuador	Exploration	85%	30%

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS CONTINUED

	INVESTMENT IN SUBSIDIARY UNDERTAKINGS		
	SHARES \$	LOANS \$	TOTAL \$
<b>Cost</b>			
Balance at 30 June 2012	11,135,656	48,901,647	60,037,303
Acquisitions and advances in the year	1	2,286,414	2,286,415
Balance at 30 June 2013	11,135,657	51,188,061	62,323,718
Acquisitions and advances in the year	2,869,222	5,756,660	8,625,882
Balance at 30 June 2014	14,004,879	56,944,721	70,949,600
<b>Amortisation and impairment losses</b>			
Balance at 30 June 2012	-	(18,311,066)	(18,311,066)
Provision for impairment	(5,016,948)	(23,634,527)	(28,651,475)
Balance at 30 June 2013	(5,016,948)	(41,945,593)	(46,962,541)
Provision for impairment	-	(2,045,220)	(2,045,220)
Balance at 30 June 2014	(5,016,948)	(43,990,813)	(49,007,761)
<b>Carrying amounts</b>			
Balance at 30 June 2012	11,135,656	30,590,581	41,726,237
Balance at 30 June 2013	6,118,709	9,242,468	15,361,177
Balance at 30 June 2014	8,987,931	12,953,908	21,941,839

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 9 INVESTMENTS IN SUBSIDIARY  
UNDERTAKINGS CONTINUED**

The write-down of the deferred exploration costs associated with certain projects in Queensland and the Solomon Islands lead to the Company recording a provision for impairment of \$2,045,220 on the loans receivable from Australian Resource Management (ARM) Pty Ltd, Central Minerals Pty Ltd and Guadalcanal Exploration Pty Ltd.

Details of all loans within the group made during the year are set out below:

	SHARES \$	LOANS \$	TOTAL \$
<b>Cost</b>			
<b>Total investment in subsidiaries by the Company at 30 June 2012</b>	11,135,657	48,901,647	60,037,303
Advances in the period from SolGold plc to ARM Pty Ltd	-	509,183	509,183
Advances in the period from SolGold plc to Acapulco Mining Pty Ltd	-	308,334	308,334
Advances in the period from SolGold plc to Central Minerals Pty Ltd	-	1,311,769	1,311,769
Advances during the period to Honiara Holdings Pty Ltd	-	79,394	79,394
Acquisition and advances during the period to Guadalcanal Exploration Pty Ltd	1	77,734	77,735
<b>Total investment in subsidiaries by the Company at 30 June 2013</b>	<b>11,135,657</b>	<b>51,188,061</b>	<b>62,323,718</b>
Advances in the period from SolGold plc to ARM Pty Ltd		26,346	26,346
Advances in the period from SolGold plc to Acapulco Mining Pty Ltd		138,861	138,861
Advances in the period from SolGold plc to Central Minerals Pty Ltd		160,718	160,718
Advances during the period to Honiara Holdings Pty Ltd		471	471
Advances during the period to Guadalcanal Exploration Pty Ltd		31,108	31,108
Transfer from investments accounted for using the equity method	2,769,647		2,769,647
Acquisition and advances during the period to Exploraciones Novomining S.A.	99,575	5,399,156	5,498,731
<b>Total investment in subsidiaries by the Company at 30 June 2014</b>	<b>14,004,879</b>	<b>56,944,721</b>	<b>70,949,600</b>

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 10 INVESTMENTS**

**(a) Investments accounted for using the equity method**

NAME	COUNTRY OF INCORPORATION	PRINCIPLE ACTIVITY	SHARES	OWNERSHIP INTEREST		CARRYING AMOUNT	
				2014 %	2013 %	2014 \$	2013 \$
Exploraciones Novomining S.A.	Ecuador	Mineral Exploration	ORD	85%	30%	-	2,769,647
						-	<b>2,769,647</b>

(I) MOVEMENTS DURING THE YEAR IN EQUITY ACCOUNTED INVESTMENTS	2014 \$	2013 \$
Balance at beginning of year	2,769,647	-
Carrying value of investment on transfer of intangible assets	-	222,208
Fair value of investment on initial recognition	-	2,517,664
Share of associates profits after income tax	-	29,775
Carrying value of investment transferred to investments in subsidiaries	(2,769,647)	-
<b>Balance at end of year</b>	<b>-</b>	<b>2,769,647</b>

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and as a result changed its accounting treatment from an investment accounted for using the equity method to an investment in a subsidiary (see Note 24).

**(II) SUMMARISED FINANCIAL INFORMATION OF ASSOCIATES**

The Group's share of the results of its associates and its aggregated assets (including goodwill) and liabilities are as follows:

	OWNERSHIP INTEREST %	ASSETS \$	LIABILITIES \$	REVENUES \$	PROFIT \$
2013					
Exploraciones Novomining S.A.	30%	77,114	69,785	39,938	29,775

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 10 INVESTMENTS CONTINUED**

During the year ended 30 June 2014, SolGold's investment in Exploraciones Novomining S.A. increased from 35% to 85% and accordingly, it is now being accounted for as a subsidiary.

**(b) Investments accounted for as available for sale assets**

	2014 \$	2013 \$
Movements in available for sale financial assets	458,510	-
Opening balance at 1 July	779,986	448,120
Additions	1,703,620	10,390
Fair Value adjustment through other comprehensive income	<b>2,942,116</b>	<b>458,510</b>

Available for sale financial assets comprise an investment in the ordinary issued capital of Cornerstone Capital Resources Inc, listed on the Toronto Stock Exchange ("TSX") and an investment in the ordinary issued capital of Aus Tin Mining Ltd, a company listed on the Australian Securities Exchange.

**(c) Fair value**

**Fair value hierarchy**

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

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Unobservable inputs for the asset or liability.

The fair values of financial assets and financial liabilities approximate their carrying amounts principally due to their short-term nature or the fact that they are measured and recognised at fair value.

The following table represents the Group's financial assets and liabilities measured and recognised at fair value.

	\$ LEVEL 1	\$ LEVEL 2	\$ LEVEL 3	\$ TOTAL
<b>2014</b>				
Available for sale financial assets	2,942,116	-	-	2,942,116
<b>2013</b>				
Available for sale financial assets	458,510	-	-	458,510

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 11 PROPERTY, PLANT AND EQUIPMENT**

	LAND AND BUILDINGS \$	PLANT AND EQUIPMENT \$	MOTOR VEHICLES \$	GROUP OFFICE EQUIPMENT \$	FURNITURE & FITTINGS \$	TOTAL \$	COMPANY \$
<b>Cost</b>							
Balance 30 June 2012	208,144	98,489	267,722	72,402	19,493	666,250	45,224
Additions	-	-	-	3,030	1,680	4,710	4,710
Disposals	-	-	(147,207)	-	-	(147,207)	-
<b>Balance 30 June 2013</b>	<b>208,144</b>	<b>98,489</b>	<b>120,515</b>	<b>75,432</b>	<b>21,173</b>	<b>523,753</b>	<b>49,934</b>
Additions – business combinations	-	1,710	24,444	3,977	1,371	31,502	-
Additions – other	-	50,653	-	35,809	16,110	102,572	4,355
Disposals	(208,144)	-	(43,406)	-	-	(251,550)	-
<b>Balance 30 June 2014</b>	<b>-</b>	<b>150,852</b>	<b>101,553</b>	<b>115,218</b>	<b>38,654</b>	<b>406,276</b>	<b>54,289</b>
<b>Depreciation and impairment losses</b>							
Balance 30 June 2012	(93,582)	(71,720)	(129,992)	(57,994)	(15,285)	(368,573)	(18,159)
Depreciation charge for the year	(17,321)	(8,276)	(28,302)	(7,696)	(955)	(62,550)	(9,075)
Disposals	-	-	74,499	-	-	74,499	-
<b>Balance 30 June 2013</b>	<b>(110,903)</b>	<b>(79,996)</b>	<b>(83,795)</b>	<b>(65,690)</b>	<b>(16,240)</b>	<b>(356,624)</b>	<b>(27,234)</b>
Depreciation – business combinations	-	(253)	(24,444)	(312)	(68)	(25,483)	-
Depreciation charge for the year	(10,217)	(10,014)	(5,818)	(7,659)	(1,317)	(35,025)	(10,254)
Disposals	121,120	-	23,071	-	-	144,191	-
<b>Balance 30 June 2014</b>	<b>-</b>	<b>(90,263)</b>	<b>(90,986)</b>	<b>(73,661)</b>	<b>(17,625)</b>	<b>(272,535)</b>	<b>(37,488)</b>
<b>Carrying amounts</b>							
At 30 June 2012	114,562	26,769	137,730	14,408	4,206	297,677	27,065
At 30 June 2013	97,241	18,493	36,720	9,742	4,933	167,130	22,700
<b>At 30 June 2014</b>	<b>-</b>	<b>60,589</b>	<b>10,567</b>	<b>41,557</b>	<b>21,029</b>	<b>133,742</b>	<b>16,801</b>

For the prior year ended 30 June 2013 the net book value of assets pledged as security for lease finance was \$21,073. There was no lease financing at 30 June 2014.

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 12 INTANGIBLE ASSETS**

	DEFERRED GROUP EXPLORATION COSTS \$	DEFERRED COMPANY EXPLORATION COSTS \$
<b>Cost</b>		
Balance 30 June 2012	59,708,002	222,208
Additions – expenditure	1,623,715	29,209
Transfer to equity accounted investments		(222,208)
Disposals	-	-
<b>Balance 30 June 2013</b>	<b>61,331,717</b>	<b>29,209</b>
Additions – expenditure	6,022,676	611,648
Additions – business combinations	3,097,086	-
Disposals	-	-
<b>Balance 30 June 2014</b>	<b>70,451,479</b>	<b>640,857</b>
<b>Impairment losses</b>		
Balance 30 June 2012	(19,452,898)	-
Impairment charge	(27,300,641)	-
<b>Balance 30 June 2013</b>	<b>(46,753,539)</b>	<b>-</b>
Impairment charge	(2,246,491)	-
<b>Balance 30 June 2014</b>	<b>(49,000,030)</b>	<b>-</b>
<b>Carrying amounts</b>		
At 30 June 2012	40,255,104	222,208
At 30 June 2013	14,578,178	29,209
<b>At 30 June 2014</b>	<b>21,451,449</b>	<b>640,857</b>

**Impairment loss**

The Group considered it necessary to make a provision for impairment of \$2,177,290 (2013: \$24,734,063) as it relates to the deferred exploration assets of the Fauro, Lower Koloula and Malakuna projects. A decision was made to expense \$69,201 (2013: \$2,566,578) for exploration expenditure associated with other tenements that were dropped during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in Note 25.

NOTES TO THE  
FINANCIAL STATEMENTS  
For the year ended 30 June 2014

**NOTE 13 LOAN RECEIVABLES AND OTHER  
NONCURRENT ASSETS**

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Loans receivables	-	-	-	-
Additions – expenditure	169,353	92,893	7,169	5,569
	<b>169,353</b>	<b>92,893</b>	<b>7,169</b>	<b>5,569</b>

Security bonds relate to cash security held against office premises, Lvl 27, 111 Eagle St, Brisbane, Queensland Australia, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and cash backed bank guarantee held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

**NOTE 14 DEFERRED TAXATION**

**Recognised deferred tax assets**

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Deferred tax assets:				
Tax losses	3,773,166	3,724,771	-	-
Deferred tax liabilities:				
Temporary timing differences arising on intangible assets	(3,773,166)	(3,724,771)	-	-
<b>Net deferred taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following amounts. Deferred tax has been calculated at the expected future rate of corporation tax of 30%.

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Temporary differences	11,967,721	7,796,272	-	326,481
Tax losses	9,829,794	11,699,667	9,200,901	11,699,667
<b>Tax losses</b>	<b>21,797,515</b>	<b>19,495,939</b>	<b>9,200,901</b>	<b>12,026,148</b>

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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**NOTE 15 OTHER RECEIVABLES AND PREPAYMENTS**

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Other receivables	1,099,840	289,088	1,002,623	250,745
Prepayments	12,500	22,000	12,500	22,000
	<b>1,112,340</b>	<b>311,088</b>	<b>1,015,123</b>	<b>272,745</b>

**NOTE 16 CASH AND CASH EQUIVALENTS**

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Cash at bank	4,547,229	880,424	4,159,071	826,768
Call deposits	-	-	-	-
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>4,547,229</b>	<b>880,424</b>	<b>4,159,071</b>	<b>826,768</b>

**NOTE 17 CAPITAL AND RESERVES**

**(a) Authorised Share Capital**

	2013 NO. OF SHARES	2013 NOMINAL VALUE £
At 1 July 2012 – Ordinary shares	620,000,000	6,200,000
<b>At 30 June 2013 – Ordinary shares</b>	<b>620,000,000</b>	<b>6,200,000</b>

	2013 NO. OF SHARES	2013 NOMINAL VALUE £
At 1 July 2013 – Ordinary shares	620,000,000	6,200,000
Increase in authorised share capital of £0.01 each on 8 July 2014	200,000,000	2,000,000
<b>At 30 June 2014 – Ordinary shares</b>	<b>820,000,000</b>	<b>8,200,000</b>

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For the year ended 30 June 2014

**NOTE 17 CAPITAL AND RESERVES CONTINUED**

**(b) Changes in Issued Share Capital and Share Premium**

	NO. OF SHARES	NOMINAL VALUE \$	SHARE PREMIUM \$	TOTAL \$
Ordinary shares of 1p each at 30 June 2012	313,381,934	5,791,534	61,216,133	67,007,667
Shares issued at £0.04 – placement 17 July 2012	33,333,333	500,000	1,500,000	2,000,000
Share issue costs charged to share premium account	-	-	(24,128)	(24,128)
Shares issued at £0.035 – placement 3 October 2012	55,555,556	857,167	2,142,833	3,000,000
Share issue costs charged to share premium account	-	-	(302,465)	(302,465)
Shares issued at £0.035 – placement 12 October 2012	21,972,143	325,188	819,094	1,144,282
Share issue costs charged to share premium account	-	-	(1,175)	(1,175)
Shares issued at £0.015 – placement 8 April 2013	119,801,376	1,736,281	868,097	2,604,378
Share issue costs charged to share premium account	-	-	(66,531)	(66,531)
Shares issued at £0.03 – placement 14 June 2013	8,200,000	133,332	266,668	400,000
Shares issued at £0.038 – Conversion of convertible redeemable preference shares 28 June 2013	1,110,000	18,253	-	18,253
<b>Ordinary shares of 1p at 30 June 2013</b>	<b>553,354,342</b>	<b>9,361,755</b>	<b>66,418,526</b>	<b>75,780,281</b>

	NO. OF SHARES	NOMINAL VALUE \$	SHARE PREMIUM \$	TOTAL \$
Ordinary shares of 1p each at 30 June 2013	553,354,342	9,361,755	66,418,526	75,780,281
Shares issued at £0.13 – bonus shares issued 6 September 2013	700,000	11,944	143,331	155,275
Shares issued at £0.075 – placement 24 September 2013	49,840,967	856,815	5,569,301	6,426,116
Shares issue costs charged to share premium account	-	-	(322,506)	(322,506)
Shares issued at £0.11 – Cornerstone Capital Resources Inc shares as part consideration for SolGold moving to 85% ownership of Exploraciones Novomining S.A.	488,560	8,996	90,579	99,575
Shares issued at £0.09 – placement 24 March 2014	47,769,333	867,014	6,936,107	7,803,121
Shares issue costs charged to share premium account	-	-	(400,353)	(400,353)
<b>Ordinary shares of 1p at 30 June 2014</b>	<b>652,153,202</b>	<b>11,106,524</b>	<b>78,434,985</b>	<b>89,541,509</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 17 CAPITAL AND RESERVES CONTINUED

### Potential issues of ordinary shares

At 30 June 2014 the Company had 33,920,000 options outstanding for the issue of ordinary shares, as follows:

### 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.

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 three (3) 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.

DATE OF GRANT	EXERCISABLE FROM	EXERCISABLE TO	EXERCISE PRICES	NUMBER GRANTED	NUMBER AT 30 JUNE 2014
28 June 2012*	12 months from date of grant	23 July 2015	£0.14	1,250,000	250,000
28 June 2012*	12 months from date of grant	23 July 2015	£0.28	1,250,000	250,000
28 September 2012**	Exercisable immediately and will expire 12 months from allotment date	19 August 2014	£0.06	3,000,000	3,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	6 September 2017	£0.14	3,000,000	3,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	6 September 2017	£0.28	5,000,000	5,000,000
10 May 2013***	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	6 September 2017	£0.50	8,000,000	8,000,000
15 July 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	15 July 2016	£0.14	1,250,000	1,250,000
15 July 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	15 July 2016	£0.28	2,250,000	2,250,000

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 17 CAPITAL AND RESERVES CONTINUED

DATE OF GRANT	EXERCISABLE FROM	EXERCISABLE TO	EXERCISE PRICES	NUMBER GRANTED	NUMBER AT 30 JUNE 2014
15 July 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	15 July 2016	£0.50	4,000,000	4,000,000
24 September 2013	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	24 September 2016	£0.14	3,250,000	3,050,000
24 September 2013	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	24 September 2016	£0.28	3,250,000	3,050,000
24 September 2013	When the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis	24 September 2016	£0.50	820,000	820,000
				<b>36,320,000</b>	<b>33,920,000</b>

\* The options were granted for accounting purposes on 28 June 2012, following approval at the Annual General Meeting and formally issued on 23 July 2012.

\*\* The options were granted for accounting purposes 28 September 2012, following approval at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

\*\*\* The options were granted for accounting purposes on 10 May 2013, following approval at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013.

### Convertible Redeemable Preference Shares

Convertible redeemable preference shares are granted under the Company's Employee Share Plan, which is designed to enable the Company to secure and retain skilled and experienced personnel on appropriately incentivised terms.

A convertible redeemable preference share ("CRPS") will be issued at 1p each. Each CRPS will entitle the identified employees upon achievement of certain performance criteria, to convert the CRPS into one ordinary share, and such employees will in addition be entitled to subscribe for further ordinary shares, granting the employees, in total (following conversion and exercise of the subscription rights), 1000 ordinary shares per converted CRPS. The performance criteria in each instance have been structured to focus on performance in areas including project operational deliverable, share price and corporate performance, and are aligned with delivering shareholder growth.

A total of 10,700 CRPS were granted following approval at the AGM on 28 June 2012 and formally issued on 23 July 2012. The CRPS have an issue price of 1p each and the underlying ordinary shares had a price of 3.30p each, calculated as the volume weighted average trade price of each ordinary share for the 5 trading days immediately prior to the day upon which the CRPS were issued.

The issue of CRPS has been treated as an option grant in accordance with IFRS 2, Share Based Payments. In line with IFRS 2, Share Based Payments, the related expense for the CRPS is recorded from the date of grant through to when the performance criteria have been met.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 17 CAPITAL AND RESERVES CONTINUED

CONVERTIBLE REDEEMABLE PREFERENCE SHARES	2014 NUMBER OF CRPS	2013 NUMBER OF CRPS
Opening balance	-	-
Granted during the year	-	10,700
Converted to ordinary shares during the year	-	(1,410)
Cancelled during the period	-	(9,290)
<b>Closing balance</b>	<b>-</b>	<b>-</b>

During the prior year, 1,410 CRPS' were issued on meeting certain performance milestones and subsequently, the remaining CRPS' were cancelled. There were no CRPS' issued during the year ended 30 June 2014.

### Warrants

There were no warrants outstanding as at 30 June 2014.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 17 CAPITAL AND RESERVES CONTINUED

### Share options issued

On 28 September 2012, the company entered into an agreement to grant 3,000,000 unlisted options to Mather Investments (Qld) Pty Ltd (as Trustee), an entity associated with Nicholas Mather, a director of SolGold, pursuant to an Underwriting Agreement in connection with the Company's successful placement of AUD\$3,000,000. The Options are exercisable at £0.06 each, and will expire 12 months from their allotment date. The allotment date was 19 August 2013, the date at which approval was obtained by shareholders at the AGM.

On 10 May 2013, the company entered into an agreement to grant 16,000,000 unlisted options to Alan Martin on his appointment as Chief Executive Officer. The share options were approved at the Annual General Meeting held on 19 August 2013 and formally allotted on 6 September 2013. The options have a life of 4 years. The terms of the share options are as follows:

- 3 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 5 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 8 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 15 July 2013, the company entered into an agreement to grant 7,000,000 unlisted options to Chief Geologist, Bruce Rohrlach. The options have a life of 3 years. The terms of the share options are as follows:

- 1.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 2.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 4 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

On 24 September 2013, the company entered into an agreement to grant 7,320,000 unlisted options to certain employees, under its employee share option plan. The options have a life of 3 years. The terms of the share options are as follows:

- 3.25 million Options exercisable at £0.14, vesting once the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis;
- 3.25 million Options exercisable at £0.28, vesting once the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis; and
- 0.82 million Options exercisable at £0.50, vesting once the Company's share price has traded at a minimum of £0.80 on a 30 day VWAP basis.

### Dividends

The Directors do not recommend the payment of a dividend (2013: nil).

### Capital Management

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 18 FINANCE LEASE LIABILITIES

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
Minimum lease payments				
• Due within one year	-	11,084	-	-
• Between one and two years	-	11,084	-	-
• Between two and five	-	4,619	-	-
• Later than five years	-	-	-	-
Total minimum lease payments	-	26,787	-	-
• Future finance charges	-	(3,211)	-	-
Lease liability	-	23,576	-	-
<b>Current Liability due within one year</b>	-	<b>9,148</b>	-	-
<b>Non-current liability due between one and five years</b>	-	<b>14,428</b>	-	-

Lease liabilities are secured over the assets to which they relate. During the year ended 30 June 2014, the remaining finance leases were settled in full.

## NOTE 19 TRADE AND OTHER CURRENT PAYABLES

	GROUP 2014 \$	GROUP 2013 \$	COMPANY 2014 \$	COMPANY 2013 \$
<b>Current</b>				
Trade payables	291,409	158,107	260,817	149,013
Other payables	413,434	160,941	85,433	89,359
Accrued expenses	82,458	110,805	82,458	105,405
	<b>787,301</b>	<b>429,853</b>	<b>428,708</b>	<b>343,777</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 20 EMPLOYEE BENEFITS

### Share-based payments

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

	WEIGHTED AVERAGE EXERCISE PRICE 2014	NUMBER OF OPTIONS 2014	WEIGHTED AVERAGE EXERCISE PRICE 2013	NUMBER OF OPTIONS 2013
Outstanding at the beginning of the year	£0.37	25,372,000	£0.45	12,972,000
Lapsed during the year	£0.47	(9,272,000)	£0.38	(3,600,000)
Granted during the year	£0.31	14,820,000	£0.36	16,000,000
Exercised during the year	-	-	-	-
Outstanding at the end of the year	£0.34	30,920,000	£0.37	25,372,000
Exercisable at the end of the year	-	-	£0.21	1,000,000

The options outstanding at 30 June 2014 have an exercise price of £0.14 - £0.50 (2013: £0.14 - £0.50) and a weighted average contractual life of 2.42 years (2013: 2.81 years).

Share options held by Directors are as follows:

SHARE OPTIONS HELD	AT 30 JUNE 2014	AT 30 JUNE 2013	OPTION PRICE	EXERCISE PERIOD
Alan Martin	3,000,000	-	14p	19/08/13 - 19/08/17
	5,000,000	-	28p	19/08/13 - 19/08/17
	8,000,000	-	50p	19/08/13 - 19/08/17
Nicholas Mather	-	1,200,000	50p	31/05/12 - 30/05/14
	3,000,000	-	6p	19/08/13 - 19/08/14
Brian Moller	-	880,000	50p	31/05/12 - 30/05/14
Robert Weinberg	-	880,000	50p	31/05/12 - 30/05/14
John Bovard	-	880,000	50p	31/05/12 - 30/05/14

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**NOTE 20 EMPLOYEE BENEFITS CONTINUED**

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

SHARE OPTIONS HELD AT 30 JUNE 2014	SHARE OPTIONS HELD AT 30 JUNE 2013	OPTION PRICE	EXERCISE PERIOD
-	4,532,000	£0.50	29/04/12 – 28/04/14
-	3,840,000	£0.50	31/05/12 – 30/05/14
250,000	500,000	£0.14	28/06/13 – 28/06/15
250,000	500,000	£0.28	28/06/13 – 28/06/15
3,000,000	3,000,000	£0.06	6/09/13 – 19/08/14
3,000,000	3,000,000	£0.14	Vesting from 30 day VWAP of 20p to 06/09/2017
5,000,000	5,000,000	£0.28	Vesting from 30 day VWAP of 40p to 06/09/2017
8,000,000	8,000,000	£0.50	Vesting from 30 day VWAP of 80p to 6/09/2017
1,250,000	-	£0.14	Vesting from 30 day VWAP of 20p to 15/07/2016
2,250,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 15/07/2016
4,000,000	-	£0.50	Vesting from 30 Day VWAP of 80p to 15/07/2016
3,050,000	-	£0.14	Vesting from 30 Day VWAP of 20p to 24/09/2016
3,050,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
820,000	-	£0.50	Vesting from 30 Day VWAP of 80p to 24/09/2016
<b>33,920,000</b>	<b>28,372,000</b>		

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 either a Black-Scholes model or Monte Carlo Simulation considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

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**NOTE 20 EMPLOYEE BENEFITS CONTINUED**

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	2013			
	£0.50 OPTIONS 10 MAY 2013	£0.28 OPTIONS 10 MAY 2013	£0.14 OPTIONS 10 MAY 2013	£0.06 OPTIONS 28 SEPTEMBER 2013
Number of options	8,000,000	5,000,000	3,000,000	3,000,000
Fair value at issue date	£0.00000	£0.00003	£0.00014	£0.022
Exercise price	£0.50	£0.28	£0.14	£0.06
Expected volatility	127.46%	127.46%	127.46%	127.46%
Option life	4.00 years	4.00 years	4.00 years	1.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	0.91%	0.91%	0.91%	0.68%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Black Scholes

FAIR VALUE OF SHARE OPTIONS AND ASSUMPTIONS	2014					
	£0.50 OPTIONS 15 JULY 2013	£0.28 OPTIONS 15 JULY 2013	£0.14 OPTIONS 15 JULY 2013	£0.50 OPTIONS 24 SEPT 2013	£0.28 OPTIONS 24 SEPT 2013	£0.14 OPTIONS 24 SEPT 2013
Number of options	4,000,000	2,250,000	1,250,000	820,000	3,050,000	3,050,000
Fair value at issue date	£0.0001	£0.0012	£0.0043	£0.001	£0.003	£0.011
Exercise price	£0.50	£0.28	£0.14	£0.50	£0.28	£0.14
Expected volatility	127.46%	127.46%	127.46%	113.24%	113.24%	113.24%
Option life	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years	3.00 years
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	1.28%	1.28%	1.28%	1.62%	1.62%	1.62%
Valuation methodology	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo	Monte Carlo

The calculation of the volatility of the share price was based on the Company's daily closing share price over the two-year period prior to the date the options were issued.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 21 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

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.

There have been no changes in financial risks from the previous year.

During the year ended 30 June 2014 or 2013 no trading in commodity contracts was undertaken.

### 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
- Translational exposures in respect of investments in overseas operations which have functional currencies other than Australian 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 currencies other than the Group functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the statement of comprehensive income.

	GROUP 2014 \$	GROUP 2013 \$
Solomon Island dollar (SBD)	9,226	13,366
United States dollar (USD)	323,621	-
	<b>332,847</b>	<b>13,366</b>

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD) and United States dollar (USD). A 10% change in the SBD/A\$ and USD/A\$ exchange rates would give rise to a change of approximately \$33,285 (2013: \$1,337) in the Group net assets and reported earnings. In respect of other monetary assets and liabilities held in currencies other than Australian 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.

The company did not have any monetary assets and liabilities in currencies other than the company functional currency.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 21 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) CONTINUED

### Credit Risk

The Group is exposed to credit risk primarily from the financial institutions with which it holds cash and cash deposits. At 30 June 2014, the Group had \$543,628 in cash accounts with Macquarie Bank Limited in Australia, \$22,116 in cash accounts with the ANZ Bank in Australia, \$3,648,638 in cash accounts with Westpac Bank in Australia, \$3,773 in cash accounts with the ANZ Bank in Honiara, Solomon Islands, \$2,547 in cash accounts with Westpac Banking Corporation in Honiara, Solomon Islands, \$323,621 in cash accounts with Banco Pichincha in Ecuador and \$2,906 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was \$5,647,069 (2013: \$1,191,512).

### 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. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. The Group deals with banks with high credit ratings assigned by international credit rating agencies. Funds are provided to local sites weekly, based on the sites' forecast expenditure. The maturity profile of the Group's non-current financial liabilities is disclosed in note 18.

### 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 month's maximum duration. The increase/decrease of 2% in interest rates will impact the group's income statement by a gain/loss of \$90,945 and the company's income statement by \$83,181. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

### 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 are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 22 COMMITMENTS

The Company 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	951,769	-	-
Solomon Islands	853,819	-	-
Queensland	838,752	134,334	-
	2,644,340	134,334	-

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 23 RELATED PARTIES

### (a) Group

Transactions between related parties are on normal commercial terms and conditions 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 Ltd ("Samuel") for the engagement of Nicholas Mather as director of the Company. For the year ended 30 June 2014 \$153,750 was paid or payable to Samuel (2013: \$143,750). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$nil (2013: \$11,250).
- (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 its administration and exploration staff, 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. For the year ended 30 June 2014 \$264,000 was paid or payable to DGR Global (2013: \$330,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$nil (2013: \$nil).
- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2014, Hopgood Ganim were paid \$89,039 (2012: \$362,086) 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 \$16,730 (2013: \$18,988).

b) Share and Option transactions of Directors are shown under Notes 5 and 20.

### (b) Company

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

All related party transactions are conducted at arm's length.

#### Subsidiaries

The Company has an investment in subsidiaries balance of \$21,941,839 (2013: \$15,361,177). The transactions during the year have been included in Note 9. As the Company does not expect repayment of this amount and will not call payment until the subsidiary can adequately pay it out of working capital, this amount has been included in the carrying amount of the investment in the Parent Entity's statement of financial position.

### (c) Controlling party

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 24 ACQUISITIONS

### Exploraciones Novomining S.A.

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and effectively was able to govern the financial and operating policies of Exploraciones Novomining S.A. on that date. SolGold plc had previously treated its investment in Exploraciones Novomining S.A. as an investment accounted for using the equity method. The following table shows the assets acquired and liabilities assumed at acquisition date.

IDENTIFIABLE ASSETS AND LIABILITIES	ACQUIREE'S CARRYING AMOUNT \$	FAIR VALUE \$
Cash	13,901	13,901
Other receivables and prepayments	25,835	25,835
Intangible assets - exploration expenditure	917,676	3,097,086
Property, plant and equipment	6,425	6,425
Other noncurrent assets	74,263	74,263
Trade and other payables	(323,159)	(323,159)
	714,941	2,894,351
Less: Non-controlling interest		(357,471)
<b>Identifiable assets acquired and liabilities assumed</b>		<b>2,536,880</b>

On 24 February 2014, SolGold further increased its interest in Exploraciones Novomining S.A. from 50% to 85%.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 24 ACQUISITIONS CONTINUED

### Guadalcanal Exploration Pty Ltd

On 18 April 2012, SolGold plc entered into a "Put and Call Option Agreement" with Guadalcanal Exploration Pty Ltd. Under the "Put and Call Option Agreement", SolGold can elect to purchase the shares of Guadalcanal Exploration Pty Ltd at any time during the option period, resulting in SolGold having the potential to govern the financial and operating policies of Guadalcanal Exploration Pty Ltd. The following table shows the assets acquired and liabilities assumed at acquisition date.

IDENTIFIABLE ASSETS AND LIABILITIES	ACQUIREE'S CARRYING AMOUNT \$	FAIR VALUE \$
Cash	4,782	4,782
Intangible assets - exploration expenditure	963,885	963,885
Other assets	2,000	2,000
Trade creditors	(5,760)	(5,760)
Unsecured loans	(1,010,939)	(1,010,939)
	(46,032)	(46,032)
Less: Non-controlling interest		46,032
<b>Identifiable assets acquired and liabilities assumed</b>		<b>-</b>

On 30 June 2013, SolGold exercised its rights under the "Put and Call Option Agreement" and acquired the shares of Guadalcanal Exploration Pty Ltd.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 25 ACCOUNTING ESTIMATES AND JUDGEMENTS

### Key sources of estimation uncertainty

The key elements of the Statement of Financial Position that rely on the business judgment of the Directors as related to their carrying value include the capitalised exploration expenditure, and the business combination (also largely reflected in the consolidated carrying value of exploration expenditure).

The Directors have carried out an assessment of the carrying values of deferred exploration costs and any required impairment.

### Cascabel Joint Venture

Under the terms of the JV venture agreement, SolGold has met the agreed expenditure commitments and has earned a 85% participating interest in Exploraciones Novomining S.A. ("ENSA") at the date of this report (30% at 30 June 2013). Cornerstone Capital Resources Inc. will hold the other 15% of ENSA. ENSA is an Ecuadorean registered company which holds 100% of the Cascabel concession.

Exploration on the Cascabel concession has included: geological mapping, stream silt sampling, soil sampling, orientation soil sampling, rock chip sampling, channel sampling, Terraspec spectral sampling, a helimagnetic survey (which has been modelled in 3D), a radiometric survey, petrography, gridding in preparation for a 3D Induced Polarisation (IP) and magnetotelluric (MT) survey, diamond drilling and preparation for initial metallurgical testing. The regional exploration activity has identified six main prospects: Quebrada Alpala, Quebrada Moran, Quebrada's Tandayama and America, Rio Cachaco, Aguinaga and Chinambicito. The most significant of these is the Alpala prospect where six completed and a seventh partial drill hole have been drilled for a total combined meterage of 4,592m.

There has also been significant work conducted to fulfil the Cascabel Environmental Management Plan for the advance exploration phase (drilling). This has included, an Environmental Impact Study required for advanced stage exploration, a Community Relations Program, a Health Safety and Environment Program, the construction of

a nursery (for rehabilitation), construction of the Alpala field camp to provide suitable living conditions for field staff and the establishment of the Rocafuerte field office.

The aggregate carrying value of \$8.69 million is considered to be unimpaired.

### SolGold 100% owned Projects

#### Kuma PL 08/06

SolGold has retained the Kuma PL 08/06 prospect and has a 100% ownership. The project is at an early stage of exploration, which has included: geological mapping, rock chip sampling, stream sediment sampling, an airborne magnetic survey and initiation of both soil sampling and TerraSpec mineralogical mapping. This work has identified a lithocap, which are often found above mineralised porphyry complexes. A buried porphyry target at Kuma has the potential to deliver exploration success. There is currently insufficient exploration data to estimate the potential prospectivity of the tenement. The prospecting licence (PL 08/06) was renewed for a further term of two years commencing from 11 April 2013. The carrying value of \$0.2 million is considered to be unimpaired.

#### Fauro PL 12/09

Exploration on the island of Fauro is at an early stage and the airborne surveying, mapping and sampling phase of the program of testing of the key targets has resulted in the identification of extensive mineralised complexes which show potential to yield significant gold and copper occurrences. Initial drilling commenced and has defined several gold-copper targets. The company is actively seeking a JV partner to pursue drilling of gold-copper targets defined in the 2011/2012 exploration program. As no JV partner has been found to date, the carrying value of \$1.03 million (2013: \$12.82 million) is considered to be impaired and an impairment charge of \$1.03 million (2013: \$11.82 million) was recognised during the year ended 30 June 2014.

#### Lower Koloula PL 01/10

Exploration on the Lower Koloula tenement is at a very early stage. Work has included stream sediment sampling, rock chip sampling, soil sampling, an airborne

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## NOTE 25 ACCOUNTING ESTIMATES AND JUDGEMENTS CONTINUED

magnetic survey and geological mapping. Two mineral prospects: Big Frog and Pepechichi, have been identified from the geochemical surveys, while further potential targets have been interpreted from the magnetic data. As no additional exploration work is planned, the carrying value of \$0.87 million is considered to be impaired and an impairment charge of \$0.87 million was recognised during the year ended 30 June 2014. The company is seeking a JV partner to pursue exploration at Lower Koloula.

#### Malakuna PL 02/10

Exploration on the Malakuna tenement is at a very early stage. An interpretation of the magnetic data has identified numerous potential targets and is waiting to be followed up with geochemical surveys and geological mapping. As no additional exploration work is planned, the carrying value of \$0.27 million is considered to be impaired and an impairment charge of \$0.27 million was recognised during the year ended 30 June 2014. The company is seeking a JV partner to pursue exploration at Malakuna.

#### Acapulco Mining Projects

Acapulco has seven granted tenements and one application across Queensland. The granted tenements comprise of 226 sub-blocks (circa 718km<sup>2</sup>) and 108 sub-block (circa 343km<sup>2</sup>) application.

Extensive airborne magnetic and electromagnetic surveys have been conducted over some of the tenements, together with detailed stream sediment sampling, soil sampling, rock chip sampling and geological mapping programs. Furthermore, since May 2006 a total of 283 holes, equivalent to 24,377.8m have been drilled on the tenements.

The objective has been to step-out from areas of known gold mineralisation so that resources can be defined and enlarged, with the objective of defining a maiden resource. The Company is seeking a joint venture partner to further progress these projects.

The aggregated carrying value of \$8.97 million is considered to be unimpaired.

### Central Minerals Projects

Central Minerals comprises of thirteen granted tenements and two applications. The granted tenements comprise of 279 sub-blocks (circa 886km<sup>2</sup>) and 205 sub-block applications (circa 651km<sup>2</sup>).

Extensive airborne magnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling, trenching, mapping programs and an induced polarisation geophysical survey. Since October 2007, a total of 473 holes, equivalent to 58,886.62m, have been drilled on the tenements.

On 23 May 2012, SolGold announced an updated indicated and inferred combined resource at Rannes at an 0.3 g/t Au cut-off of 18.7 million tonnes at 0.92 g/t gold equivalent (gold + silver) for 550,000 ounces of gold equivalent (296,700 ounces of gold and 10,139,000 ounces of silver; values rounded; see announcement dated 23 May 2012 for details of the resource statement and gold equivalent ratios). The resource at an 0.5 g/t Au cut-off is 12.23 million tonnes at 0.60g/t gold and 23.18g/t silver; for 237,240 ounces Au and 9,105,072 ounces Ag (using a gold to silver ratio of 1:50). Several other prospects exist that contain known gold mineralisation that has not yet been included in the resource estimate. The Company is seeking a JV partner to progress drilling on the Rannes project tenements.

The Central Minerals projects have a carrying value of \$3.59 million at 30 June 2014 and are considered to be unimpaired.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2014

## **NOTE 26** CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets and liabilities at 30 June 2014 (2013: none).

## **NOTE 27** SUBSEQUENT EVENTS

On 8 July 2014, the Company issued 4,360,000 options to Directors. The options consist of two tranches with varying exercise prices and vesting conditions which are dependent on the Company's share price. The options expire on 8 July 2017.

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





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