**14 February 2020**

# SolGold plc

# Half-Yearly Financial Report

# Quarterly MD&A Filed in Canada

The Board of SolGold (LSE and TSX code: SOLG) is pleased to advise all shareholders and interested investors of the release of the Company's interim financial results for the half year ended 31 December 2019. The interim financial report is included as part of this announcement.

Further, the Board advises shareholders and interested investors that the Company's website also contains access to additional information required to be filed on Sedar in Canada in connection with the Company's quarterly financial period ended 31 December 2019. This additional information is available in the **Financial Reports** section of the **Investor Centre** on the Company's website: www.solgold.com.au

By order of the Board
Karl Schlobohm
Company Secretary


**Nicholas Mather** — **Tel: +61 (0) 7 3303 0665**
SolGold Plc (Chief Executive Officer) — **+61 (0) 417 880 448**
nmather@solgold.com.au

**Karl Schlobohm**
SolGold Plc (Company Secretary) — **Tel: +61 (0) 7 3303 0661**
kschlobohm@solgold.com.au

**Ingo Hofmaier**
SolGold Plc (GM – Project & Corporate Finance) — **Tel: +44 (0) 20 3823 2131**
ihofmaier@solgold.com.au

**Gordon Poole / Nick Hennis**
Camarco (Financial PR / IR) — **Tel: +44 (0) 20 3757 4997**
solgold@camarco.co.uk

**Andrew Chubb** — **Tel: +44 (0) 20 7907 8500**
Hannam & Partners (Joint Broker and Financial Advisor)
solgold@hannam.partners

**Ross Allister / David McKeown** — **Tel: +44 (0)20 7418 8900**
Peel Hunt (Joint Broker and Financial Advisor)
solgold@peelhunt.com

**James Kofman / Darren Wallace** — **Tel: +1 416 943 6411**
Cormark Securities Inc. (Financial Advisor)
dwallace@cormark.com

# UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

# CORPORATE INFORMATION

**DIRECTORS**
Brian Moller (Non-Executive Chairman)
Nicholas Mather (Executive Director)
Robert Weinberg (Non-Executive Director)
Craig Jones (Non-Executive Director)
James Clare (Non-Executive Director)
Liam Twigger (Non-Executive Director)
Jason Ward (Executive Director)

**COMPANY SECRETARY**
Karl Schlobohm

**REGISTERED OFFICE**
Locke Lord LLP
201 Bishopsgate
London EC2M 3AB
United Kingdom
Registered Number 5449516

**AUSTRALIAN OFFICE**
Level 27, 111 Eagle St
Brisbane QLD 4000
Phone: + 61 7 3303 0660
Fax: +61 7 3303 0681
Email: info@solgold.com
Web Site: www.solgold.com.au

**AUDITORS**
BDO LLP
55 Baker Street
London W1U 7EU
United Kingdom

**BROKERS**
Hannam & Partners
2 Park Street
London W1K 2HX
United Kingdom

SP Angel Corporate Finance LLP
Prince Frederick House
35-39 Maddox Street
London W1S 2PP
United Kingdom

**UK SOLICITORS**
Locke Lord LLP
201 Bishopsgate
London EC2M 3AB
United Kingdom

**AUSTRALIAN SOLICITORS**
HopgoodGanim
Level 8, Waterfront Place
1 Eagle Street
Brisbane QLD 4000
Australia

**REGISTRARS**
Computershare Investor Services plc
The Pavilions, Bridgwater Road
Bristol BS99 7NH

# OPERATIONS REPORT

The Directors present their report on the company and its controlled entities for the half year ended 31 December 2019. SolGold plc is a public limited company incorporated in England and Wales.

**DIRECTORS**

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

Brian Moller (Non-Executive Director)
Nicholas Mather (Executive Director)
Robert Weinberg (Non-Executive Director)
Craig Jones (Non-Executive Director)
James Clare (Non-Executive Director)
Liam Twigger – (Non-Executive Director)
Jason Ward – (Executive Director)
Anna Legge – (Executive Director) – resigned 13 November 2019

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

**PRINCIPAL ACTIVITIES**

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

**REVIEW AND RESULTS OF OPERATIONS**

The loss after tax for the Company for the half-year ended 31 December 2019 was US$4,982,381 (31 December 2018 loss of US$27,483,519).

***Exploration Activities***

***Cascabel Project (Ecuador)***

The Cascabel Project is located on the northern section of the prolific Andean Copper belt, renowned as the base for nearly half of the world's copper production. The project area hosts mineralisation of Eocene age, the same age as numerous Tier 1 deposits along the Andean Copper Belt in Chile and Peru to the south. The project base is located at Rocafuerte in northern Ecuador, approximately three hours' drive north of Quito, close to water, power supply and Pacific ports. Having fulfilled its earn in requirements, SolGold is a registered shareholder with an unencumbered legal and beneficial 85% interest in ENSA (Exploraciones Novomining S.A.) which holds 100% of the Cascabel tenement covering approximately 50km$^2$, and subject to a royalty which may be purchased by SolGold for US$4.0m at development decision. Following the preparation of a Feasibility Study by ENSA, Cornerstone - which currently holds a 15% interest in ENSA - will be obligated to contribute to the funding of ENSA.

A review of drilling results has identified world class intersections at updated metal prices, and geology model analysis is constantly improving drill targeting capabilities. Drilling to date has not yet constrained the rich Alpala copper-gold deposit, and the deposit continues to grow.

During the six months ended 31 December 2019, the Company capitalised US$22,947,251 on the Cascabel project.

SolGold drilling activities focused on activities supporting the Alpala Deposit Pre-Feasibility Study (PFS) while continuing to extend and upgrade the status of the Alpala Resource. Drill testing of the Trivinio target has commenced, whilst the numerous other untested targets, namely at Moran, Cristal, Tandayama-America and Chinambicito, are flagged for drill testing as overall program demands allow.

SolGold's current focus is the collection of additional metallurgical, geotechnical, hydrological, and hydrogeological data for the Pre-Feasibility Study (PFS) and the delivery of a third Mineral Resource Estimate (MRE#3). The conversion of most of the MRE#2 Inferred Resource into Indicated Resources has been a major objective of the drilling this year as the Indicated Resources are the basis for the PFS.

## OPERATIONS REPORT (continued)

Supplementary work underway at the Alpala Deposit includes geotechnical mining studies using downhole optical and acoustic Televiewer imaging, and rock-mechanics investigations using in-situ over-coring (3D stress testing), as well as in-situ measurement of rock mass permeability by packer testing.

As a consequence of drought conditions and in consideration of impacts on local waterways and as well as a cash management measure, drilling operations remain curtailed since September.

2019 drilling intersected zones of very high gold grades in the core and periphery of the deposit at Alpala. This may be related to intermediate- to high- sulfidation state sulphide-mineral assemblages associated with a phyllic alteration over-print and is a feature common in many of the world's richest porphyry deposits, like Oyu Tolgoi, Grasberg and Wafi-Golpu.

3D modelling of key geological parameters for the Alpala deposit has resulted in the completion of dynamic models for geology, veining, alteration and copper and gold grades, all of which are constantly updated as drilling progresses.

A study to develop the understanding of the stratigraphic and post mineral structural architecture and geometry of the Alpala deposit and greater Alpala district was undertaken during this period. The knowledge gained from the study supports ongoing exploration and drill targeting for both the Alpala deposit, and other targets in the Cascabel concession.

A study of the orientation of B-veins (a key input for modeling the grade distribution at Alpala) was re-modelled using structural information from oriented core. The geometry of the porphyry is controlled by the orientation of the B-veins, and the distribution indicates potential mineralization toward the north of the Alpala system which is interpreted as another porphyry body. This information is used in the MRE#3.

Anaconda 1:5000 geological mapping was conducted across the concession to enhance existing and complete previously unmapped areas of the concession. This enabled updated knowledge of surface features including lithology, mineralisation, alteration and structures.

An updated structural model encompassing new surface mapping and oriented core was developed. This will be an integral input into mine design and planning in the Feasibility Studies.

Seven groundwater monitoring sites was identified at key locations throughout the project. 2133m (averaging 305m at each site) of electrical resistivity tomography (ERT) sections were performed at 7 of the drill pad locations to confirm the presence of water and structures targeted. Three of the water monitoring sites (comprising two drill holes at each) were completed by the end of November 2019. Downhole piezometers have been installed and are currently logging underground water levels. Additionally, manual downhole measurements are recorded each week for those paired holes without piezometers.

Two weather stations and five streamflow monitoring stations have also been installed for environmental purposes.

A program of geotechnical characterisation of soils was undertaken. The field component has been completed as of the end of December. The program comprised 56 pits of 5m depth excavated by hand, and included insitu tests (soil vane, penetrometer and insitu density), and lab testing of soil samples. The laboratory testing is ongoing.

Samples of clay and/or fault gauge from the Alpala deposit and proposed decline geotechnical drillholes were collected and analysed with the SolGold Terraspec device. Soil samples taken from the geotechnical pits were also analysed with the onsite Terraspec machine to provide information on clay composition.

## OPERATIONS REPORT (continued)

A detailed study of the 12 Aguinaga holes was completed as part of an ongoing re-evaluation of the Aguinaga target. The study included:

- Relogging all holes (7258.69m of drilling).
- Lithology reinterpretation based on thin sections and macroscopic description.
- Litho-geochemical analysis and their correlation with the lithology reinterpretation.
- Geochemical footprint analysis and their comparation with the Yerington model (Halley 2015).
- Structural B-veins trend analysis.
- Description of existing alteration and veins type present in Aguinaga.
- Photographic register of lithology and their special characteristics.

The study has identified additional targets within the Aguinaga prospect to the North and to the West of the existing drilling.

Laboratory metallurgical test programs continued at ALS Metallurgical Laboratories, Kamloops, Ca, and Balcatta, W.A. Four master composites were used for process optimisation and locked cycle tests, with the optimised circuit and conditions used for locked cycle tests. The locked cycle tests were run with site sourced water, initially without water recycle. The tests were then repeated with recycled water to simulate process water use. This produced eight sets of locked cycle results, with feed grades that varied from 0.21% Cu to 1.56% Cu. Copper concentrate grade ranged from 25.7% Cu to 30.1% Cu. Gold varied from 10.3 g/t to 16.7 g/t, and silver from 45 g/t to 93 g/t. Extended analysis showed very low deleterious elements in concentrate, well below penalty limits.

The rougher tailing from each of the rougher flotation variability tests were subjected to Davis Tube Recovery (DTR) tests to evaluate potential for magnetite recovery. The tests were conducted at the as received grind size (typically 150 µm) at a magnetic intensity of 4,000 Gauss, providing a preliminary magnetite roughing evaluation. Magnetite recoveries were calculated based on the flotation feed mineralogy. The results indicate that above a feed grade of 2.5% magnetite, concentrate grades of >40% magnetite is produced, potentially suitable for regrind and cleaning to saleable magnetite concentrate specifications. Magnetite recoveries to these concentrates averaged 85%.

The copper cleaner tailing from the flotation program was collected and formed into three composites, with bottle roll cyanidation testwork in progress to evaluate extraction of copper, gold and silver to enhance recovery. Further work is planned to evaluate biological and pressure oxidation and thiosulphate leach.

Further work scheduled for the laboratory test program include settling tests on tailing and concentrate, concentrate regrind power evaluation tests and variability flotation tests.

Longer term planning includes a bulk sampling program to generate 20 t to 30 t of material for pilot plant evaluation. This will include vendor thickening and filtration tests, transportable moisture limits (TML) for shipment, rheology tests for concentrate and tailing pipelines and further tailing characterisation work. In addition, selected sample will be used for crushing tests and pyrite concentrate will be produced for further leach evaluation. If warranted, tailing will be evaluated for more detailed magnetite recovery.

## OPERATIONS REPORT (continued)

***Other Projects (Ecuador)***

A comprehensive, nation-wide desktop study was undertaken by the Company's independent experts to analyse the available regional topographic, geological, geochemical and gravity data over the prospective magmatic belts of Ecuador, with the aim of understanding the controls to copper-gold mineralization on a regional scale. The Company has delineated and ranked regional exploration targets for the potential to contain significant copper-gold deposits. As a result of this study, the Company formed and initially funded, four new 100% owned subsidiary companies in Ecuador; Carnegie Ridge Resources S.A., Green Rock Resources S.A., Cruz del Sol S.A. and Valle Rico Resources S.A. These subsidiaries currently hold 72 mineral concessions over approximately 3,200 km$^2$.

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

- Blanca
- La Hueca
- Porvenir
- Cisne Loja
- Timbara
- Rio Amarillo
- Chillanes
- Salinas
- Sharug
- Cisne Victoria
- Coangos
- Chical
- Cisne Loja (Celen)

The ongoing exploration program on these projects continues to focus on:

- Drill Testing targets
- Collection of geophysical data
- Mapping and geochemical sampling of new areas

## OPERATIONS REPORT (continued)

***Queensland Projects (Australia)***

In Queensland, Australia, the Company has identified the following major project areas:

- Rannes
- Mount Perry
- Normanby
- Westwood
- Mt Pring
- Cracow West

SolGold continues to hold tenements across central and southeast Queensland, through its wholly owned subsidiaries, Central Minerals Pty Ltd and Acapulco Mining Pty Ltd. Central Minerals Pty Ltd currently holds 5 exploration permits: EPM 25300 (Cooper Consolidated, Rannes Project); EPM 18760 (Westwood); EPM 18032 (Cracow West); EPM 27211 (Mt Pring); and EPM 19639 (Goovigen Consolidated, Rannes Project). Acapulco Mining Pty Ltd currently holds exploration permits at EPM 25245 (Mount Perry) and EPM 19410 (Normanby).

The Exploration activities completed during this period were on the Rannes Project and included:

- Work on the Rannes Project during Q4, 2019 focused on drillhole data validation and completion of a 3D workspace to allow integration of 3DIP, VTEM and magnetic inversion model data.
- VTEM inversion modelling during Q3, 2019 identified a number of high priority basement conductors that appear to be located down-plunge from the inferred and indicated resources at both the Crunchie and Kauffman's prospects.

Further details on exploration programs on other Queensland tenements will be finalised in coming months with a commitment to maintain and progress the concessions.

***Solomon Islands Projects***

The Kuma project lies just to the south-west of a series of major NW-SE-trending arc parallel faults, associated with numerous Cu and Au anomalies in streams and soils. The project area overlies a 3.5-kilometre wide, annular, caldera-like topographic feature. Annular and nested topographic anomalies in the region suggest the presence of extensive batholiths of the Koloula Diorite beneath the volcanic cover of the Suta Volcanics. The prospect 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.

The geochemically anomalous portion of the Kuma lithocap (north-west end) lies within the annular topographic anomaly. Kuma has a spectacular oxidised float boulder trail along the Kuma River and was traced to Alemba and Kolovelo creeks which lead to discovery of broad hydrothermal alteration zones and lithocap.

Previous exploration completed at Kuma under the 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. Geochemical results define a central zone of manganese depletion (Mn < 200 ppm) inferred to indicate the destruction of mafic minerals by hydrothermal alteration. Zinc > 75 ppm forms an annulus to this zone, and Molybdenum > 4 ppm lies along the margins of the manganese low indicating potential for porphyry CuAu mineralisation at depth. TerraSpec spectral analysis of sieved coarse fraction soil samples covering the Kuma lithocap in integration with known geology in the prospect area has highlighted a primary porphyry target centre in the northern portion of the lithocap that SolGold plans to drill test upon granting of tenure.

Low temperature quartz veins with comb textures have been observed in outcrop the Kuma and Alimuno Rivers. Surface alteration, geochemistry, and Terraspec results have been encouraging.

Further work is planned to test the high sulfidation Kuma prospect that focuses on the upper part of Kuma ridges and a drilling program is planned for 2020.

Activities completed in this period include the establishment of an exploration office and commencement of community work.

## OPERATIONS REPORT (continued)

***Equity***

On 20 September 2019, the Company issued a combined total of 3,150,000 unlisted share options over ordinary shares of the Company to a Director following approval granted by shareholders at the Company's AGM on 20 September 2019. The options are exercisable at £0.60 and expire on 20 December 2021.

On 2 December 2019, the Company issued 77,000,000 new ordinary shares at £0.2215 to BHP Billiton Holdings Limited ("BHP"). As part of the share subscription, BHP were issued 19,250,000 options exercisable at £0.37 which expire on 27 November 2024.

***Corporate***

The Group achieved several milestones during the half year ended 31 December 2019. These included:

- Entering into an agreement with BHP Billiton Holdings Limited to successfully complete a placement of 77 million shares at 22.15p to raise US$22 million (£17 million).
- Scout drilling permits were granted for several Regional projects during the period.
- First drill hole at the Blanca projects intersected a 30cm wide mineralised vein with visible gold along with multiple thin sulphide rich veins and mineralised fault zones.

The Group is required to raise further funds to bring projects into development and production and currently has insufficient working capital for the foreseeable future. The Group is exploring a number of options to raise funds for the next stage of development and the Directors are confident that they will be successful in securing sufficient funds to meet liquidity requirements. Further details are given in note 1.

**MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD**

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

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

Nicholas Mather
Executive Director
Brisbane
13 February 2020

**Qualified Person**

Information in this report relating to the exploration results is based on data reviewed by Mr. Jason Ward (B.Sc. Hons Geol.), the Chief Geologist of the Company. Mr. Ward is a Member of the Australasian Institute of Mining and Metallurgy, holds the designation MAusIMM (CP), and has in excess of 20 years' experience in mineral exploration and is a Qualified Person for the purposes of the relevant LSE and TSX Rules. Mr. Ward consents to the inclusion of the information in the form and context in which it appears.

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

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Notes | Three months ended 31 December 2019 US$ (unaudited) | Three months ended 31 December 2018 US$ (unaudited) | Six months ended 31 December 2019 US$ (unaudited) | Six months ended 31 December 2018 US$ (unaudited) |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Exploration costs written-off | | (22,953) | 2,930 | (27,235) | (27,142) |
| Administrative expenses | 3 | (1,583,709) | (23,729,146) | (4,431,445) | (27,640,610) |
| **Operating loss** | | **(1,606,662)** | **(23,726,216)** | **(4,458,680)** | **(27,667,752)** |
| Finance income | 3 | 119,329 | 6,500 | 290,802 | 12,558 |
| Finance costs | | (46,691) | - | (46,691) | - |
| **Loss before tax** | | **(1,534,024)** | **(23,719,716)** | **(4,214,569)** | **(27,655,194)** |
| Tax (expense) benefit | | (15,086) | (529,428) | (767,812) | 171,675 |
| **Loss for the period** | | **(1,549,110)** | **(24,249,144)** | **(4,982,381)** | **(27,483,519)** |
| **Other comprehensive profit / (loss)** | | | | | |
| *Items that may be reclassified to profit and loss* | | | | | |
| Change in fair value of financial assets held at fair value | | 188,496 | 1,165,442 | (1,783,740) | 2,828,399 |
| Exchange differences on translation of foreign operations | | 295,953 | (2,003,801) | (8,836) | (3,933,503) |
| Change in other reserves | | (50,690) | - | (64,272) | - |
| **Other Comprehensive (loss) / profit, net of tax** | | **433,759** | **(838,359)** | **(1,856,848)** | **(1,105,104)** |
| **Total comprehensive (loss) / income for the period** | | **(1,115,351)** | **(25,087,503)** | **(6,839,229)** | **(28,588,623)** |
| | | | | | |
| **Loss for the period attributable to:** | | | | | |
| Owners of the parent company | | (1,533,479) | (24,234,313) | (4,950,064) | (27,414,789) |
| Non-controlling interest | | (15,631) | (14,831) | (32,317) | (68,730) |
| **Loss for the period** | | **(1,549,110)** | **(24,249,144)** | **(4,982,381)** | **(27,483,519)** |
| | | | | | |
| **Total comprehensive profit / (loss) for the period is attributable to:** | | | | | |
| Owners of the parent company | | (1,099,720) | (25,072,672) | (6,806,912) | (28,519,893) |
| Non-controlling interest | | (15,631) | (14,831) | (32,317) | (68,730) |
| **Total comprehensive (loss) / income for the period** | | **(1,115,351)** | **(25,087,503)** | **(6,839,229)** | **(28,588,623)** |

| | Notes | Three months ended 31 December 2019 Cents (unaudited) | Three months ended 31 December 2018 Cents (unaudited) | Six months ended 31 December 2019 Cents (unaudited) | Six months ended 31 December 2018 Cents (unaudited) |
|---|---|---|---|---|---|
| Basic earnings per share | 4 | (0.1) | (1.4) | (0.3) | (1.6) |
| Diluted earnings per share | 4 | (0.1) | (1.4) | (0.3) | (1.6) |

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

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AT 31 DECEMBER 2019

| | Notes | 31 December 2019 US$ (unaudited) | 30 June 2019 US$ (audited) |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | | 13,731,955 | 8,847,785 |
| Intangible assets | 5 | 208,605,630 | 177,481,872 |
| Financial assets held at fair value through OCI | 6 | 3,402,757 | 5,952,439 |
| Loans receivable and other non-current assets | 7 | 1,352,132 | 7,796,541 |
| **Total non-current assets** | | **227,092,474** | **200,078,637** |
| Loans receivable | 7 | 7,005,323 | - |
| Other receivables and prepayments | | 3,756,255 | 2,891,326 |
| Cash and cash equivalents | | 23,071,680 | 41,746,200 |
| **Total current assets** | | **33,833,258** | **44,637,526** |
| **Total assets** | | **260,925,732** | **244,716,163** |
| | | | |
| **Equity** | | | |
| Share capital | 10 | 27,397,650 | 26,402,424 |
| Share premium | 10 | 315,828,411 | 297,375,959 |
| Other reserves | | 38,313,446 | 40,084,833 |
| Accumulated loss | | (125,292,752) | (120,342,688) |
| Foreign currency translation reserve | | (4,885,429) | (4,876,593) |
| Equity attributable to owners of the parent company | | 251,361,326 | 238,643,935 |
| Non-controlling interest | | (474,681) | (442,364) |
| **Total equity** | | **250,886,645** | **238,201,571** |
| | | | |
| **Liabilities** | | | |
| Trade and other payables | | 5,930,720 | 6,514,592 |
| Lease Liability | 8 | 582,644 | - |
| **Total current liabilities** | | **6,513,364** | **6,514,592** |
| Lease Liability | 8 | 1,141,489 | - |
| Other financial liabilities | 9 | 2,384,234 | - |
| **Total non-current liabilities** | | **3,525,723** | **-** |
| **Total liabilities** | | **10,039,087** | **6,514,592** |
| **Total equity and liabilities** | | **260,925,732** | **244,716,163** |

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Share capital US$ | Share premium US$ | Financial assets held at fair value through other comprehensive income US$ | Share based payment reserve US$ | Foreign currency translation reserve US$ | Other Reserves US$ | Accumulated losses US$ | Total US$ | Non-controlling interests US$ | Total Equity US$ |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance 30 June 2018 (audited)** | **24,443,853** | **222,941,518** | **1,933,094** | **13,391,848** | **(2,838,649)** | **(105,893)** | **(88,859,667)** | **170,906,104** | **(314,286)** | **170,591,818** |
| Loss for the period | - | - | - | - | - | - | (27,414,789) | (27,414,789) | (68,730) | (27,483,519) |
| Other comprehensive income for the period | - | - | 2,828,399 | - | (3,933,503) | - | - | (1,105,104) | - | (1,105,104) |
| Total comprehensive income for the period | - | - | 2,828,399 | - | (3,933,503) | - | (27,414,789) | (28,519,893) | (68,730) | (28,588,623) |
| New share capital subscribed | 1,431,377 | 62,098,668 | - | - | - | - | - | 63,530,045 | - | 63,530,045 |
| Options exercised | 527,194 | 12,441,354 | - | - | - | - | - | 12,968,548 | - | 12,968,548 |
| Share issue costs | - | (105,581) | - | - | - | - | - | (105,581) | - | (105,581) |
| Options expired | - | - | - | - | - | - | - | - | - | - |
| Value of options issued to employees and consultants | - | - | - | 23,774,390 | - | - | - | 23,774,390 | - | 23,774,390 |
| **Balance 31 December 2018 (unaudited)** | **26,402,424** | **297,375,959** | **4,761,493** | **37,166,238** | **(6,772,152)** | **(105,893)** | **(116,274,456)** | **242,553,613** | **(383,016)** | **242,170,597** |
| Loss for the period | - | - | - | - | - | - | (4,526,926)) | (4,526,926) | (59,348) | (4,586,274) |
| Other comprehensive income for the period | - | - | (1,387,080) | - | 1,895,559 | - | - | 508,479 | - | 508,479 |
| Total comprehensive income for the period | - | - | (1,387,080) | - | 1,895,559 | - | (4,526,926) | (4,018,447) | (59,348) | (4,077,795) |
| New share capital subscribed | - | - | - | - | - | - | - | - | - | - |
| Options exercised | - | - | - | - | - | - | - | - | - | - |
| Share issue costs | - | - | - | - | - | - | - | - | - | - |
| Options expired | - | - | - | (458,694) | - | - | 458,694 | - | - | - |
| Value of options issued to employees and consultants | - | - | - | 108,769 | - | - | - | 108,769 | - | 108,769 |
| **Balance 30 June 2019 (audited)** | **26,402,424** | **297,375,959** | **3,374,413** | **36,816,313** | **(4,876,593)** | **(105,893)** | **(120,342,688)** | **238,643,935** | **(442,364)** | **238,201,571** |
| Loss for the period | - | - | - | - | - | - | (4,950,064) | (4,950,064) | (32,317) | (4,982,381) |
| Other comprehensive income for the period | - | - | (1,783,740) | - | (8,836) | (64,272) | - | (1,856,848) | - | (1,856,848) |
| Total comprehensive income for the period | - | - | (1,783,740) | - | (8,836) | (64,272) | (4,950,064) | (6,806,912) | (32,317) | (6,839,229) |
| New share capital subscribed | 995,226 | 18,456,842 | - | - | - | - | - | 19,452,068 | - | 19,452,068 |
| Share issue costs | - | (4,390) | - | - | - | - | - | (4,390) | - | (4,390) |
| Options expired | - | - | - | - | - | - | - | - | - | - |
| Value of options issued to employees and consultants | - | - | - | 76,625 | - | - | - | 76,625 | - | 76,625 |
| **Balance 31 December 2019 (unaudited)** | **27,397,650** | **315,828,411** | **1,590,673** | **36,892,938** | **(4,885,429)** | **(170,165)** | **(125,292,752)** | **251,361,326** | **(474,681)** | **250,886,645** |

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

# INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

| | Notes | Three months ended 31 December 2019 US$ (unaudited) | Three months ended 31 December 2018 US$ (unaudited) | Six months ended 31 December 2019 US$ (unaudited) | Six months ended 31 December 2018 US$ (unaudited) |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Loss for the period | | (1,549,110) | (24,249,144) | (4,982,381) | (27,483,519) |
| Depreciation | | 305,521 | (156,978) | 329,789 | 31,898 |
| Interest on Lease Liability | | 46,691 | - | 46,691 | - |
| Share based payments expense | | - | 20,710,235 | 76,625 | 23,774,390 |
| Write-off of exploration expenditure | | 22,953 | (2,930) | 27,235 | 27,142 |
| Foreign exchange (gain)/loss | | (644,669) | (425,353) | 126,111 | (1,508,221) |
| Movement in fair value of derivative liability | | (207,933) | - | (207,933) | - |
| Deferred taxes | | 15,086 | 529,428 | 767,812 | (171,675) |
| Non cash employee benefit expense – Company Funded Loan Plan | | - | 1,260,567 | - | 1,274,282 |
| Accretion of interest – Company Funded Loan Plan | | (115,202) | - | (223,037) | - |
| (Increase) decrease in other receivables and prepayments | | (357,581) | 136,621 | (91,369) | (79,608) |
| Increase (decrease) in trade and other payables | | (689,862) | (891,967) | (297,927) | (221,773) |
| **Net cash outflow from operating activities** | | **(3,174,106)** | **(3,089,521)** | **(4,428,384)** | **(4,357,084)** |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | | (1,111,444) | (1,684,344) | (4,356,918) | (3,660,515) |
| Payments for security deposits | | (4,939) | (47,466) | (51,993) | (52,468) |
| Acquisition of exploration and evaluation assets | | (9,756,478) | (19,655,809) | (30,987,878) | (37,569,808) |
| **Net cash (outflow)from investing activities** | | **(10,872,861)** | **(21,387,619)** | **(35,396,789)** | **(41,282,791)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from the issue of ordinary share capital and options | | 22,044,235 | 69,847,196 | 22,044,235 | 70,607,146 |
| Payment of issue costs | | (6,271) | (111,287) | (6,271) | (112,498) |
| Repayments of lease liability | | (197,163) | - | (197,163) | - |
| **Net cash (outflow) inflow from financing activities** | | **21,840,801** | **69,735,909** | **21,840,801** | **70,494,648** |
| **Net (decrease) increase in cash and cash equivalents** | | **7,796,834** | **45,258,769** | **(17,984,372)** | **24,854,773** |
| Cash and cash equivalents at beginning of period | | 16,506,686 | 39,350,587 | 41,746,200 | 60,575,504 |
| Effects of exchange rate changes on cash and cash equivalents | | (1,231,840) | (1,370,700) | (690,148) | (2,191,621) |
| **Cash and cash equivalents at end of period** | | **23,071,680** | **83,238,656** | **23,071,680** | **83,238,656** |

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

This general purpose half year condensed consolidated financial report for the half year ended 31 December 2019 has been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IASB"), International Accounting Standards 34, *Interim financial Reporting*, as adopted by the European Union and the Listing Rules.

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

The half year condensed consolidated financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity. The financial information does not constitute statutory accounts within the meaning of section 434 of the companies Act 2006. The auditors' reports on the accounts for 30 June 2019 were unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

It is recommended that the half year condensed consolidated financial report be read in conjunction with the annual report for the year ended 30 June 2019 and considered together with any public announcements made by SolGold plc and its controlled entities during the during the six months ended 31 December 2019.

*Going concern*

The interim condensed 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.

For the six months ended 31 December 2019 the Group generated a consolidated loss after tax of US$4,982,381 and incurred operating cash outflows of US$4,428,384. As at 31 December 2019 the Group had US$23,071,680 in cash and cash equivalents and a net working capital surplus of US$17,520,801 (30 June 2019: US$38,122,935). It should be noted that the current working capital levels will not be sufficient to bring the Group's projects into full development and production and, in due course, further funding will be required.

The ability of the Group to continue as a going concern is dependent upon the Group being able to manage its liquidity requirements by taking some or all of the following actions:

1. Raising additional capital or securing other forms of financing, as and when necessary to meet the levels of expenditure required for the next 12 months from the date of this report, and to meet the Group's working capital requirements;
2. Reducing its level of capital expenditure through farm-outs and/or joint ventures;
3. Reducing its working capital expenditure; and
4. Disposing of non-core assets.

These conditions give rise to a material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the above, the Directors consider it appropriate to prepare the financial statements on a going concern basis after having regard to the following matters:

1. The Group has a proven ability to raise the necessary funding or settle debts via the issuance of shares. The Group has in the last reporting period raised US$22,044,235 and is in late stage negotiations on a number of various other strategic financing options.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation (continued)**

*Comparatives*

When required by Accounting Standards, comparatives have been adjusted to conform to changes in presentation for the current financial year. The accounting policies for the comparatives are consistent with those followed in the preparation of the Group's consolidated financial statements for the year ended 30 June 2019.

**Significant accounting policies**

The group has applied the same accounting policies and methods of computation in its half year consolidated financial statements as in its 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods on (or after) 1 January 2019, and will be adopted in the 2020 annual financial statements.

New standards impacting the Group that have been adopted in the half year financial statements for the six months ended 31 December 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatment

IFRS 16 Leases is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces IAS 17 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a "right-of-use' asset will be capitalised in the statement of financial position and measured at the present value of the future lease payments to be made over the term of the lease. A liability corresponding to the capitalised lease will also be recognised. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the end of the lease term and an interest expense on the recognised lease liability.

The Group has adopted IFRS 16 using the modified retrospective approach and therefore the comparative periods have not been restated.

Upon recognition on 1 July 2019, a 'right-of-use' asset of US$1,894,736 was capitalised in the balance sheet and recognised in Property Plant & Equipment with a corresponding lease liability recognised of US$1,894,736. All 'right-of-use' assets relate to lease contracts on office buildings.

IFRIC 23 interpretation addresses the accounting for income taxes when there is uncertainty over tax treatments. It clarifies that an entity must consider the probability that the tax authorities will accept a treatment retained in its income tax filings, assuming that they have full knowledge of all relevant information when making their examination. In such a case, the income taxes shall be determined in line with the income tax filings.

Management has made a preliminary assessment and has determined that is it probable the tax authorities will accept the tax position, and therefore tax balances will be calculated under the existing accounting standard. There are no additional actions required.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation (continued)**

*(i) Subsidiaries*

The half year condensed consolidated financial statements comprise the financial statements of SolGold plc and its controlled entities as at 31 December 2019.

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

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

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

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

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

*(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.

*Derivative Financial Instruments*

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## NOTE 2 OPERATING SEGMENTS

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

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

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

| 30 June 2019 (audited) | Finance Income US$ | Depreciation US$ | Impairment of E&E US$ | Loss for the period US$ | Assets US$ | Liabilities US$ | Share Based Payments US$ | Non-current asset additions US$ |
|---|---|---|---|---|---|---|---|---|
| Cascabel project * | 6,373 | 26,617 | - | (8,553,393) | 152,074,758 | 3,684,895 | 7,699,676 | 59,337,971 |
| Other Ecuadorian projects | - | 442 | 208,914 | (647,753) | 30,775,886 | 1,526,728 | - | 12,762,403 |
| Other projects | 630 | 13 | 19,337 | (75,820) | 9,739,313 | 7,435 | - | (60,147) |
| Corporate | 668,408 | 40,532 | - | (22,792,827) | 52,126,206 | 1,295,534 | 16,183,483 | 10,982,295 |
| **Total** | **675,411** | **67,604** | **228,251** | **(32,069,793)** | **244,716,163** | **6,514,592** | **23,883,159** | **83,022,522** |

| 31 December 2018 (unaudited) | Finance Income US$ | Depreciation US$ | Impairment of E&E US$ | Loss for the period US$ | Assets US$ | Liabilities US$ | Share Based Payments US$ | Non-current asset additions US$ |
|---|---|---|---|---|---|---|---|---|
| Cascabel project * | 6,396 | 11,786 | 801 | (458,201) | 124,482,923 | 3,517,357 | - | 36,753,367 |
| Other Ecuadorian projects | 177 | - | 29,635 | (160,623) | 17,328,903 | 296,875 | - | 3,914,615 |
| Other projects | 634 | - | (3,294) | (46,183) | 9,586,239 | 4,696 | - | 196,624 |
| Corporate | 5,351 | 20,112 | - | (26,818,512) | 95,620,463 | 999,921 | 23,774,390 | 12,240,471 |
| **Total** | **12,558** | **31,898** | **27,142** | **(27,483,519)** | **247,018,528** | **4,818,849** | **23,774,390** | **53,105,076** |

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### NOTE 2 OPERATING SEGMENTS (CONTINUED)

Geographical information

| Non-current assets | 31 December 2019 US$ | 30 June 2019 US$ |
|---|---|---|
| UK | - | - |
| Australia | 13,877,049 | 21,560,971 |
| Solomon Islands | 156,102 | 60,743 |
| Ecuador | 213,059,323 | 178,456,923 |
| | **227,092,474** | **200,078,637** |

### NOTE 3 OPERATING LOSS

| | Three months ended 31 December 2019 US$ (unaudited) | Three months ended 31 December 2018 US$ (unaudited) | Six months ended 31 December 2019 US$ (unaudited) | Six months ended 31 December 2018 US$ (unaudited) |
|---|---|---|---|---|
| **The operating loss is stated after charging (crediting)** | | | | |
| Interest revenue – external parties | 119,329 | 6,500 | 290,802 | 12,558 |
| | **119,329** | **6,500** | **290,802** | **12,558** |
| Administrative and consulting expenses | 1,574,095 | 1,747,529 | 3,141,150 | 3,191,935 |
| Employment expenses | 357,909 | 1,721,208 | 604,773 | 1,987,525 |
| Depreciation | 305,521 | (156,978) | 329,789 | 31,898 |
| Legal Fees | 198,786 | 132,505 | 360,930 | 163,083 |
| Foreign exchange losses/(gains) | (644,669) | (425,353) | 126,111 | (1,508,221) |
| Movement in fair value of derivative liability | (207,933) | - | (207,933) | - |
| Share based payments (note 11) | - | 20,710,235 | 76,625 | 23,774,390 |
| | **1,583,709** | **23,729,146** | **4,431,445** | **27,640,610** |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 4 LOSS PER SHARE**

| | Three months ended 31 December 2019 (unaudited) | Three months ended 31 December 2018 (unaudited) | Six months ended 31 December 2019 (unaudited) | Six months ended 31 December 2018 (unaudited) |
|---|---|---|---|---|
| Calculation of basic and diluted loss per share is in accordance with IAS 33 *Earnings per Share.* | | | | |
| Loss per ordinary share | | | | |
| Basic loss per share (cents per share) | (0.1) | (1.4) | (0.3) | (1.6) |
| Diluted loss per share (cents per share) | (0.1) | (1.4) | (0.3) | (1.6) |
| Net loss used in calculating basic and diluted loss per share (US$) | (1,549,110) | (24,234,313) | (4,982,381) | (27,414,789) |
| | **Number** | **Number** | **Number** | **Number** |
| Weighted average number of ordinary share used in the calculation of basic loss per share | 1,858,523,219 | 1,754,980,680 | 1,858,523,219 | 1,754,980,680 |
| Weighted average number of dilutive options | - | - | - | - |
| Weighted average number of ordinary shares used in the calculation of diluted loss per share | 1,858,523,219 | 1,754,980,680 | 1,858,523,219 | 1,754,980,680 |

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

### NOTE 5 INTANGIBLE ASSETS

| | Deferred exploration costs US$ |
|---|---|
| **Cost** | |
| **Balance at 1 July 2018** | **144,363,995** |
| Effect of foreign exchange on opening balances | (2,498,995) |
| Additions | 72,995,493 |
| **Balance at 30 June 2019 (audited)** | **214,860,493** |
| Effect of foreign exchange on opening balances | (7,545) |
| Additions | 31,158,538 |
| **Balance at 31 December 2019 (unaudited)** | **246,011,486** |
| | |
| **Impairment losses** | |
| **Balance at 1 July 2018** | **(38,587,809)** |
| Effect of foreign exchange on opening balances | 1,437,439 |
| Impairment charge | (228,251) |
| **Balance at 30 June 2019 (audited)** | **(37,378,621)** |
| Impairment charge | (27,235) |
| **Balance at 31 December 2019 (unaudited)** | **(37,405,856)** |
| | |
| **Carrying amounts** | |
| At 30 June 2018 | 105,776,186 |
| At 30 June 2019 | 177,481,872 |
| **At 31 December 2019 (unaudited)** | **208,605,630** |

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

### NOTE 6 INVESTMENTS

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

| | 31 December 2019 US$ (unaudited) | 30 June 2019 US$ (audited) |
|---|---|---|
| **Movements in financial assets** | | |
| Opening balance at 1 July | 5,952,439 | 4,031,236 |
| Fair value adjustment through other comprehensive income | (2,549,682) | 1,921,203 |
| Closing balance at the end of the reporting period | **3,402,757** | **5,952,439** |

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

**NOTE 6 INVESTMENTS (CONTINUED)**

**(b) Fair value**

*Fair value hierarchy*

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

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

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

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

| | US$ Level 1 | US$ Level 2 | US$ Level 3 | US$ Total |
|---|---|---|---|---|
| **31 December 2019 (unaudited)** | | | | |
| Financial assets held at fair value through OCI | 3,402,757 | - | - | 3,402,757 |
| Derivative liability at fair value through profit or loss | - | - | 2,384,234 | 2,384,234 |
| **30 June 2019 (audited)** | | | | |
| Financial assets held at fair value through OCI | 5,952,439 | - | - | 5,952,439 |
| Derivative liability at fair value through profit or loss | - | - | - | - |

The financial assets are measured based on the quoted market prices at 31 December 2019 and 30 June 2019.

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

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 7 LOAN RECEIVABLES**

| | 31 December 2019 US$ | 30 June 2019 US$ |
|---|---|---|
| **Loan receivables current asset** | | |
| Company Funded Loan Plan Receivable | 7,005,323 | - |
| **Closing balance at the end of the reporting period** | **7,005,323** | **-** |

| | | |
|---|---|---|
| **Loan receivable and other non-current assets** | | |
| Security bonds | 1,352,132 | 1,300,134 |
| Company Funded Loan Plan Receivable | - | 6,496,407 |
| **Balance at end of reporting period** | **1,352,132** | **7,796,541** |

| | | |
|---|---|---|
| **Company Funded Loan Plan Receivable** | | |
| Opening balance at 1 July | 6,496,407 | - |
| Additions – funds loaned under the plan | - | 7,220,950 |
| Fair value adjustment recognised as an employee benefit expense | - | (921,448) |
| Accretion of interest | 223,037 | 299,319 |
| Effect of foreign exchange | 285,879 | (102,414) |
| **Balance at end of reporting period** | **7,005,323** | **6,496,407** |

The Company Funded Loan Plan (the "Plan") is a plan established by the Company to assist employees in exercising share options. On 29 October 2018, the Company assisted employees to exercise 19,950,000 options previously issued to employees of the Company in 2019 via the Plan. As at 31 December 2019 there have been no repayments against the loans provided.

The key terms of this Plan are as follows:

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

As the loan provided by the Company was at a favourable rate of interest for the employees, the loan receivable under the Plan was fair valued. The fair value of the loan was estimated based on the future cash flow and a market rate of 7%. In future reporting periods, the loan will be measured at amortised cost. The loans provided are full recourse loans. If the sale of shares does not cover full repayment the balance will be recovered from employees. This transaction was a non cash transaction with employees. Management have considered the likelihood of default is low and the expected credit losses under the loans will be immaterial and accordingly, no impairment has been recognised at 31 December 2019. The loan is a non-cash transaction. The loan was reclassified from non-current to current for the period ending 31 December 2019, as there is less than 12 months until the receivable falls due.

Security bonds relate to cash security held against office premises, Level 27, 111 Eagle St, Brisbane, Queensland Australia, Octagon Point, 5 Cheapside, St Paul's London United Kingdom, cash security held by Queensland Department of Natural Resources and Mines against Queensland exploration tenements held by the Group and on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

**NOTE 8 LEASE LIABILITIES**

| | 31 December 2019<br>US$ | 30 June 2019<br>US$ |
|---|---|---|
| **Current Liability** | | |
| Lease Liability | 582,644 | - |
| **Closing balance at the end of the reporting period** | **582,644** | **-** |
| | | |
| **Non-current Liability** | | |
| Lease Liability | 1,141,489 | - |
| **Balance at end of reporting period** | **1,141,489** | **-** |

**NOTE 9 OTHER FINANCIAL LIABILITIES**

| | | |
|---|---|---|
| **Derivative liability at fair value through profit or loss** | | |
| Opening balance at 1 July | - | - |
| Additions – options issues to BHP | 2,592,167 | - |
| Fair value adjustment recognised through profit or loss | (207,933) | - |
| **Balance at end of reporting period** | **2,384,234** | **-** |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 10 SHARE CAPITAL**

| | Six months ended 31 December 2019 US$ (unaudited) | Twelve months ended 30 June 2019 US$ (audited) |
|---|---|---|
| **a) Issued capital and share premium** | | |
| Ordinary shares fully paid up | **343,226,061** | **323,778,383** |
| **b) Movement in ordinary shares** | | |
| At the beginning of the reporting period | 323,778,383 | 247,385,371 |
| Shares issued during the period | 19,452,068 | 76,498,593 |
| Transaction costs on share issue | (4,390) | (105,581) |
| At reporting date | **343,226,061** | **323,778,383** |

| | Six months ended 31 December 2019 Number (unaudited) | Twelve months ended 30 June 2019 Number (audited) |
|---|---|---|
| **c) Movement in number of ordinary shares on issue** | | |
| Shares at the beginning of the reporting period | 1,846,321,033 | 1,696,245,686 |
| - Shares issued at £0.28 – Exercise of options 4 October 2018 | - | 550,000 |
| - Shares issued at £0.14 – Exercise of options 11 October 2018 | - | 9,795,884 |
| - Shares issued at £0.28 – Exercise of options 11 October 2018 | - | 9,795,884 |
| - Shares issued at £0.45 – BHP placement 17 October 2018 | - | 100,000,000 |
| - Shares issued at £0.28 – Exercise of options 29 October 2018 | - | 20,624,553 |
| - Shares issued at £0.3888 – BHP share issue 8 November 2018 | - | 2,596,826 |
| - Shares issued at £0.3714 – Newcrest share issue 26 November 2018 | - | 6,712,200 |
| - Shares issued at £0.2215 – BHP share issue 25 November 2019 | 77,000,000 | - |
| Shares at the reporting date | **1,923,321,033** | **1,846,321,033** |

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

# FOR THE HALF YEAR ENDED 31 DECEMBER 2019

## NOTE 11 SHARE OPTIONS

At 31 December 2019 the Company had 182,662,000 options outstanding for the issue of ordinary shares (31 December 2018: 162,512,000).

**Options**

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

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

The contractual life of each option granted is generally two to three years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

**Share options issued**

There were 22,4000,000 options granted during the period ended 31 December 2019 (31 December 2018: 115,750,000).

On 20 September 2019, the Company issued a combined total of 3,150,000 unlisted share options over ordinary shares of the Company to a Director following approval granted by shareholders at the Company's AGM on 20 September 2019. The options are exercisable at £0.60 and expire on 20 December 2021.

On 2 December 2019, the Company issued 77,000,000 new ordinary shares at £0.2215 to BHP Billiton Holdings Limited ("BHP"). As part of the share subscription, BHP were issued 19,250,000 options exercisable at £0.37 which expire on 27 November 2024.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 11 SHARE OPTIONS (CONTINUED)**

**The share options outstanding at 31 December 2019 are as follows:**

| Date of grant | Exercisable from | Exercisable to | Exercise prices | Number granted | Number at 31 December 2019 |
|---|---|---|---|---|---|
| 9 August 2017 | The options vest on the earlier of: (a) 18 months, or (b) a Change of Control Transaction | 8 August 2020 | £0.60 | 46,750,000 | 44,500,000* |
| 9 August 2017 | The options vested immediately, exercisable through to 8 August 2020 | 8 August 2020 | £0.60 | 12,000 | 12,000 |
| 5 July 2018 | The options vested immediately and exercisable through to 4 July 2020 | 4 July 2020 | £0.40 | 21,250,000 | 21,250,000 |
| 5 July 2018 | The options vested immediately and exercisable through to 4 July 2020 | 4 July 2021 | £0.60 | 250,000 | 250,000 |
| 6 November 2018 | The options vested immediately and exercisable through to 6 November 2021 | 6 November 2021 | £0.60 | 82,875,000 | 82,875,000 |
| 20 December 2018 | The options vested immediately and exercisable through to 20 December 2021 | 20 December 2021 | £0.60 | 11,375,000 | 11,375,000 |
| 20 September 2019 | The options vested immediately and exercisable through to 20 December 2021 | 20 December 2021 | £0.60 | 3,150,000 | 3,150,000 |
| 2 December 2019[1] | The options vested immediately and exercisable through to 2 December 2024 | 2 December 2024 | £0.37 | 19,250,000 | 19,250,000 |
| | | | | **184,912,000** | **182,662,000** |

*2,250,000 options previously issued to John Bovard were forfeited during the prior year as a result of his retirement.

[1]Options issued to BHP as part of the share subscriptions on 2 December 2019 and exercisable at £0.37 within 5 years. These options fall outside the scope of IFRS 2 and is classified as a derivative financial liability.

**NOTE 11 SHARE OPTIONS (CONTINUED)**

**Share-based payments**

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

| | Weighted average exercise price 31 December 2019 | Number of options 31 December 2019 | Weighted average exercise price 31 December 2018 | Number of options 31 December 2018 |
|---|---|---|---|---|
| Outstanding at the beginning of the period | £0.57 | 160,262,000 | £0.44 | 88,353,768 |
| Exercised during the period | - | - | £0.25 | (40,766,321) |
| Lapsed during the period | - | - | £0.28 | (825,447) |
| Granted during the period | £0.40 | 22,400,000 | £0.56 | 115,750,000 |
| Outstanding at the end of the period | £0.55 | 182,662,000 | £0.57 | 162,512,000 |
| Exercisable at the end of the period | £0.55 | 182,662,000 | £0.56 | 115,762,000 |

The options outstanding at 31 December 2019 have exercise prices of £0.37, £0.40, and £0.60 (31 December 2018: £0.40 and £0.60) and a weighted average contractual life of 1.73 years (31 December 2018: 2.33 years).

Share options held by Directors are as follows:

| Share options held | At 31 December 2019 | At 31 December 2018 | Option Price | Exercise Period |
|---|---|---|---|---|
| **Nicholas Mather** | 26,250,000 | 26,250,000 | 60p | 28/01/19 – 08/08/20 |
| | 5,000,000 | - | 60p | 20/12/18 – 20/12/21 |
| **Brian Moller** | 3,750,000 | 3,750,000 | 60p | 28/01/19 – 08/08/20 |
| | 1,425,000 | 1,425,000 | 60p | 20/12/18 – 20/12/21 |
| **Robert Weinberg** | 2,250,000 | 2,250,000 | 60p | 28/01/19 – 08/08/20 |
| | 900,000 | 900,000 | 60p | 20/12/18 – 20/12/21 |
| **John Bovard** | - | 2,250,000 | 60p | 28/01/19 – 08/08/20 |
| **Craig Jones** | 2,250,000 | 2,250,000 | 60p | 28/01/19 – 08/08/20 |
| | 900,000 | 900,000 | 60p | 20/12/18 – 20/12/21 |
| **James Clare** | 3,150,000 | 3,150,000 | 60p | 20/12/18 – 20/12/21 |
| **Jason Ward** | - | 5,000,000 | 28p | 30/10/16 – 28/10/18 |
| | 5,000,000 | 5,000,000 | 60p | 28/07/17 – 08/08/20 |
| | 5,000,000 | 5,000,000 | 60p | 06/11/18 – 06/11/21 |
| **Liam Twigger** | 3,150,000 | - | 60p | 20/09/19 – 20/12/21 |
| **Anna Legge** | 3,000,000 | 3,000,000 | 40p | 05/07/18 – 04/04/20 |
| | 3,000,000 | 3,000,000 | 60p | 06/11/18 – 06/11/21 |

**NOTE 11 SHARE OPTIONS (continued)**

**Share-based payments (continued)**

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

| Fair value of share options and assumptions | £0.60 Options 20 September 2019 |
|---|---|
| Number of options | 3,150,000 |
| Share price at issue date | £0.2315 |
| Exercise price | £0.60 |
| Expected volatility | 56.112% |
| Option life | 2.25 years |
| Expected dividends | 0.00% |
| Risk-free interest rate (short-term) | 0.51% |
| Fair value | £0.0195 |
| Valuation methodology | Black-Scholes |

| | US$ |
|---|---|
| Share based payments expense recognised in statement of comprehensive income | 76,625 |
| Share based payments expense recognised as share issue costs | - |
| Share based payments expense to be recognised in future periods | - |

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

## NOTE 12 RELATED PARTIES

**Transactions with Directors and Director-Related Entities**

(i) The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as Chief Executive Officer and Executive Director of the Company. For the half year ended 31 December 2019 US$204,425 was paid or payable to Samuel (2018: US$323,840). The total amount outstanding at 31 December 2019 was US$nil (31 December 2018: US$ nil, 30 June 2019: US$925).

(ii) The Company has a long-standing commercial arrangement with DGR Global Ltd, an entity associated with Nicholas Mather (a Director) and Brian Moller (a Director), for the provision of various services, whereby DGR Global provides resources and services including the provisions 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 Ltd for any expenses incurred by it in providing the Services. DGR Global shall also invoice the Company from time to time for the provision of in-house legal counsel services. DGR Global Ltd was paid US$123,273 (2018: US$126,720) for the provision of administration, management and office facilities to the Company during the half year ended 31 December 2019. The total amount outstanding at 31 December 2019 is US$48,179 (31 December 2018: US$16,981, 30 June 2019 US$15,788).

(iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. For the half year ended 31 December 2019, US$82,355 was paid or payable to Hopgood Ganim (2018: US$102,871) for the provision of legal services to the Company. These services were based on normal commercial terms and conditions. The total amount outstanding at 31 December 2019 is US$31,183 (31 December 2018: US$12,504, 30 June 2019 US$ nil).

(iv) Mr James Clare (a Director), is a partner in the Canadian firm Bennett Jones lawyers. For the half year ended 31 December 2019, US$521,921 was paid or payable to Bennett Jones (2018: US$32,879) for the provision of legal services to the Company. The services were based on normal commercial terms and conditions. The total amount outstanding at 31 December 2019 is US$244,713 (31 December 2018: US$ nil, 30 June 2019 US$ nil).

## NOTE 12 COMMITMENTS AND CONTINGENT ASSET AND LIABILITIES

A 2% net smelter royalty is payable to Santa Barbara Resources Limited, who were the previous owners of the Cascabel tenements. These royalties can be bought out by paying a total of US$4 million. Fifty percent (50%) of the royalty can be purchased for US$1 million 90 days following the completion of a feasibility study and the remaining 50% of the royalty can be purchased for US$3 million 90 days following a production decision. The smelter royalty is considered to be a contingent liability as the Group has not yet completed a pre-feasibility study at 31 December 2019 as such there is significant uncertainty over the timing of any payments that may fall due.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE HALF YEAR ENDED 31 DECEMBER 2019

**NOTE 13 COMMITMENTS AND CONTINGENT ASSET AND LIABILITIES (continued)**

SolGold elected to undertake the Optional Subscription under the terms of the Term Sheet **(Term Sheet)** signed between SolGold plc and Cornerstone Capital Resources Inc. (**CGP**), CGP's subsidiary Cornerstone Ecuador S.A, (**CESA**) and Exploraciones Novomining S.A, (**ENSA**) and holds an aggregate registered and beneficial equity position in ENSA of 85% under the terms of the Term Sheet. CGP and CESA elected to obtain the benefit of the Financing Option whereby SolGold will solely fund all operations and activities of ENSA until the completion of a Feasibility Study, including CESA's contribution as the registered and beneficial holder of an aggregate equity position in ENSA of 15%. After completion and delivery of the Feasibility Study, SolGold and CESA shall jointly fund the operations and activities of ENSA based on their respective equity positions in ENSA's on a proportionate basis. Furthermore, the Term Sheet allows for SolGold to be fully repaid for the financing provided, including interest at LIBOR plus 2% for the expenditures incurred by SolGold from the time CGP and CESA elected the Financing Option. SolGold is to be repaid out of 90% of CESA's distribution of earnings or dividends from ENSA or the Cascabel Tenement to which CESA would otherwise be entitled. If CESA does not elect to contribute and its equity stake in ENSA is diluted to below 10%, its equity stake in ENSA will be converted to a 0.5% interest in the Net Smelter Return and SolGold may acquire this interest for the US$3.5 million at any time.

The amount receivable from CESA at 31 December 2019 was US$28,682,502 (2018: US$17,860,536). As there is uncertainty as to whether ENSA will be able to distribute earnings or dividends, a provision for impairment has been recognised on the entire amount receivable from CESA.

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

**NOTE 13 SUBSEQUENT EVENTS**

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

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

Responsibility statement:

We confirm to the best of our knowledge:

a) The condensed set of financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
b) The interim management report includes a fair review of the information required by:
   I. DTR 4.2.7R of the Disclosure and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements: and a description of the principal risks and uncertainties for the remaining six months of the year; and
   II. DTR 4.2.8R of the Disclosure and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during the period, and any changes in the related party transactions described in the last annual report that could do so.

This report contains forward-looking statements. These statements are based on current estimates and projections of management and currently available information. Future statements are not guarantees of the future developments and results outlined therein. Rather, future developments and results are dependence on a number of factors; they involve various risks and uncertainties and are based upon assumptions that may not prove to be accurate. Risks and uncertainties identified by the Group are set out on page 53 of the 2019 Annual Report and Accounts. We do not assume any obligation to update the forward-looking statements contained in this report.

Signed in accordance with a resolution of Directors.

On behalf of the Directors

Nicholas Mather
Executive Director

Brisbane
13 February 2020

## INDEPENDENT REVIEW REPORT TO SOLGOLD PLC

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 which comprises the interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of changes in equity, interim condensed consolidated statement of cash flows and notes to the interim condensed consolidated financial statements.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The half-yearly financial report is the responsibility of and has been approved by the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board (IASB) and International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Material uncertainty related to going concern

We draw attention to Note 1 to the interim financial statements, which indicates that the group's ability to continue as a going concern is dependent on its ability to secure additional funding. As stated in Note 1, these events or conditions indicate that a material uncertainty exists which may cast significant doubt over the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 December 2019 is not prepared, in all material respects, in accordance with International Accounting Standard 34, ''Interim Financial Reporting'', as issued by the International Accounting Standards Board (IASB), International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

**Use of our report**

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting its responsibilities in respect of half-yearly financial reporting in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP

BDO LLP
Chartered Accountants
London, UK
13 February 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).