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# ANNUAL REPORT

2014/15





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# CORPORATE INFORMATION

## DIRECTORS

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# CHAIRMAN'S STATEMENT

Dear Shareholder,

On behalf of the Board of Directors of SolGold, I take pleasure in presenting the Annual Report for 2015.

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.

To date the Company has completed geological mapping, soil sampling, 14 km<sup>2</sup> and 9 km<sup>2</sup> Induced Polarisation and Magnetotelluric "Orion" surveys at the Alpala and Aguinaga targets, respectively. At the time of writing, the Company had completed approximately 25 km<sup>2</sup> of soil sampling and 14km<sup>2</sup> of electrical surveys, over 21,000 m of drilling and expended approximately US\$30 m. Diamond drilling continues with two drill rigs completing approximately 8,000 m per rig each, per annum.

Cascabel is characterised by multiple targets, world class intersections rich in high grades of copper and gold, logistic advantages in location, elevation, water supply, proximity to road, port and power services and a progressive legislative approach to resource development.

SolGold is planning a resource statement at Alpala the most advanced target at Cascabel by mid-2016, in addition to drill testing the other key targets at Aguinaga, Tandayama America and Chinambicito in the Cascabel concession. By the end of 2016 the Company is planning further metallurgical testing, and completion of early stage mine and plant design and a scoping study for an economic development at Cascabel. SolGold is investigating both high tonnage / low grade open cut and high grade low tonnage underground developments as a block caving operation.

In Queensland, Australia the Company is evaluating the future exploration plans for the Mt Perry, Rannes and Normanby projects. Joint venture agreements are still being investigated with the strategy for the joint venture partner to commit funds and carry out exploration to earn an interest in the tenements.

In the Solomon Islands, the Company has streamlined its in-country presence after significant drill testing reduced the prospectivity of Fauro, Koloula and Malakuna tenements.

The Company continues to receive proposals to participate in new projects, and a number are being considered. 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,



**Brian Moller**

*Chairman*

# STRATEGIC REPORT

## OPERATIONS REPORT

### CORPORATE STRUCTURE

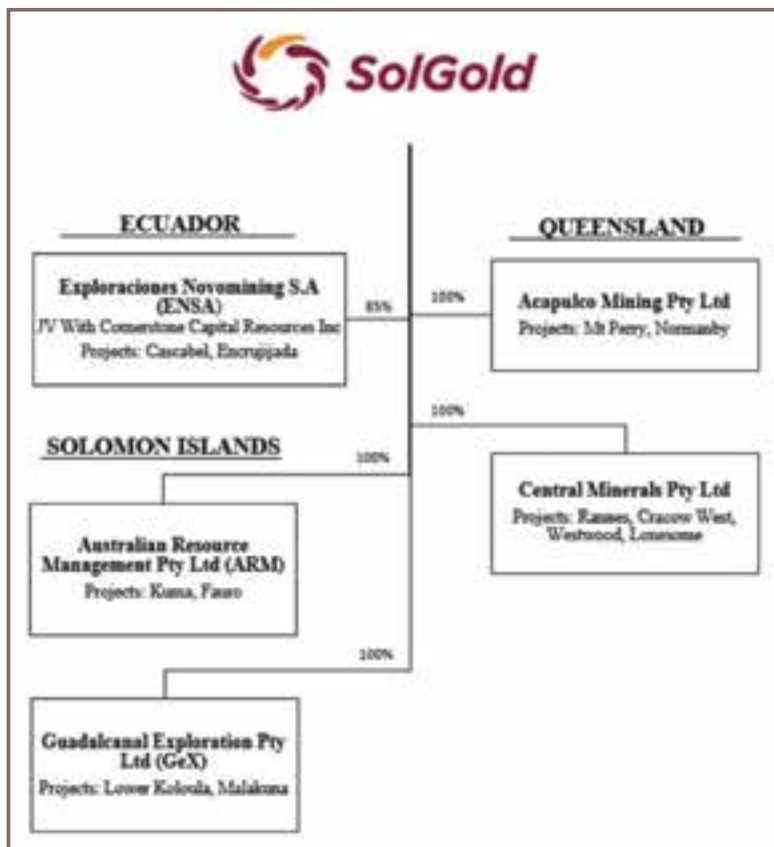


Figure 1: SolGold Corporate Structure.

### 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.
- Primarily focus on copper and gold, taking up the growth potential and increasing global demands
- Target regions with world class deposits.
- Target grass roots level exploration opportunities to enable low cost entry into projects.
- Focus on 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 the Communities and Environment in which we operate.
- Maintain a strong focus on Health and Safety for our employees and contractors.

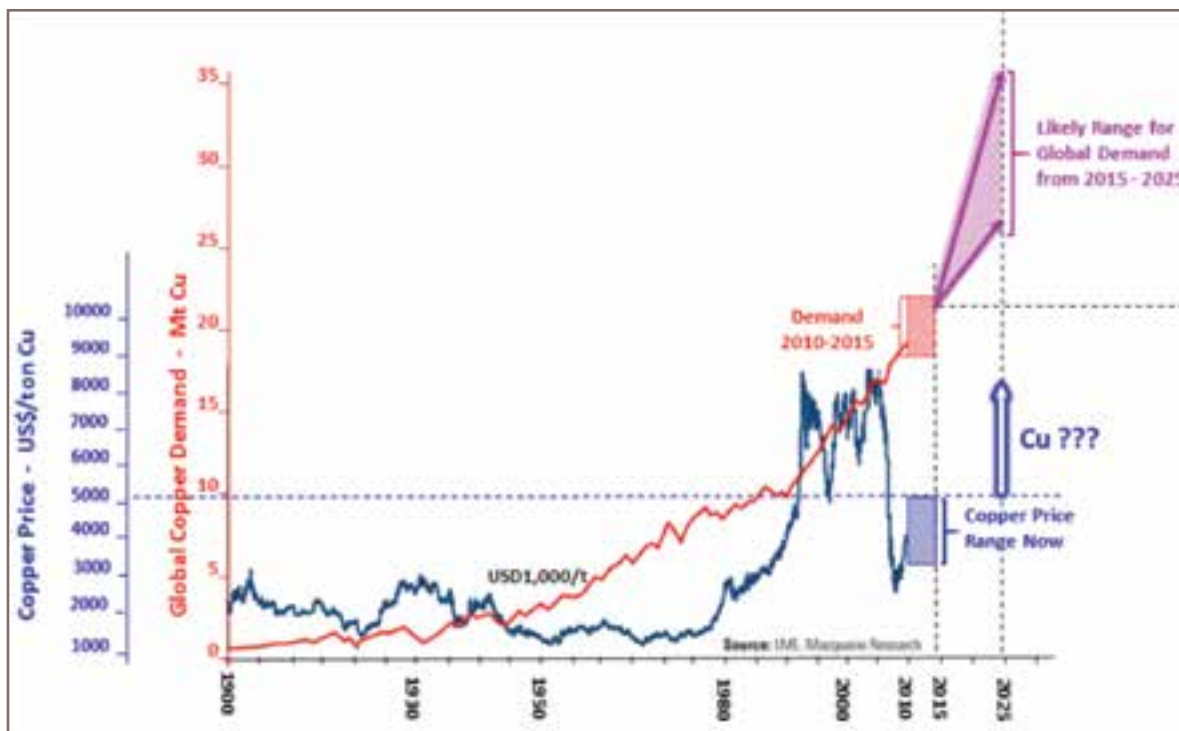
# STRATEGIC REPORT

## OPERATIONS REPORT

### CORPORATE STRATEGY *Continued*

SolGold has a commitment Corporate Social Responsibility and is passionate about the company's active health, safety, community and environment programs in its areas of exploration. The company has an outstanding safety record and ensures that its people are properly trained and work in a planned and controlled manner under procedures that ensure safe operations. 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 continues to build strong community relations with the communities at Cascabel. SolGold cares deeply about community relations and sponsors many community enterprises as well as engaging the community in regular environmental monitoring studies and rehabilitation programs (**Figure 2**).



**Figure 2:** SolGold is taking up the growth potential for copper as global urbanisation irrevocably drives copper demand higher (top), and imagery from some of SolGold's current health, safety, community and environment programs (above).

# STRATEGIC REPORT

## OPERATIONS REPORT

### EXPLORATION STRATEGY

The company's exploration strategy includes the following elements:

- Capitalisation of 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, and geophysical surveying.
- 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. In line with its corporate strategy, SolGold's focus in 2016 continues towards a world class copper-gold development at Cascabel. The team remains engaged upon project generation globally, targeting tectonically fertile areas and in countries set to blossom in the next mining up turn, as well as streamlining assets in Australia and the Solomon Islands (**Figure 3**).



Figure 3: SolGold areas of interest.



# STRATEGIC REPORT

## OPERATIONS REPORT

### EXPLORATION STRATEGY *Continued*

In Ecuador, the Company is advancing the Cascabel project as well as advancing the La Encrucijada access agreement and is undertaking a country wide generative in order to acquire top quality projects in this emerging mining country.

In the Solomon Islands, SolGold has streamlined its in-country presence after significant drill testing reduced the prospectivity of Fauro, Koloula and Malakuna tenements. The exciting Kuma project in Guadalcanal has emerged as a significant porphyry copper-gold target upgraded by recent geochemical and spectral work by Guadalcanal Exploration Pty Ltd (GEX) in 2014-15.

In Australia, a reassessment of the range of projects held in Queensland has resulted in definition of detailed work programs that will be put in place as exploration funds become available.

Project	Location	Style	Ownership
Cascabel JV	Ecuador	Copper Gold Porphyry	JV, SolGold (85% interest)
Kuma	Solomon Islands	Copper Gold Porphyry	100% owned
Rannes	Queensland, Australia	Epithermal 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	PGE Layered Intrusion	100% owned
Lonesome	Queensland, Australia	Epithermal Gold	100% owned

Table 1: SolGold exploration projects



Figure 4: Some of SolGold's experienced geoscientists at work.

# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR

#### Cascabel Project (85% interest)

<b>Location:</b>	180 km north of the capital Quito, Ecuador
<b>Ownership:</b>	Exploraciones Novomining S.A (ENSA) holds 100% of Cascabel concession. SolGold owns 85% of ENSA.
<b>Tenement Area:</b>	50 km <sup>2</sup>
<b>Primary Target:</b>	Porphyry copper-gold

The Cascabel project and its flagship discovery, the gold-rich, high grade Alpala porphyry copper-gold deposit are located in the Imbabura province of northwest Ecuador. The Cascabel concession area lies 180 km by road north of the capital city of Quito. The climate zone is tropical-savannah and vegetation is tropical forest with a well-developed soil horizon. Topography rises from elevations of 750 m to 2,100 m and the moderate to steep landscape is incised by four large drainage complexes. A first-order paved highway provides year round access and crosses the north-east corner of the concession (**Figure 5**). A gravel road in good condition provides access to the village of Santa Cecilia located in the centre of the concession. Ecuador is undergoing a transformation with significant improvements to infrastructure, including five key sea ports, over 10,000 km of new highways, and 10 new hydroelectric projects.



Figure 5: Location of the Cascabel project in northwest Ecuador.

# STRATEGIC REPORT

## OPERATIONS REPORT

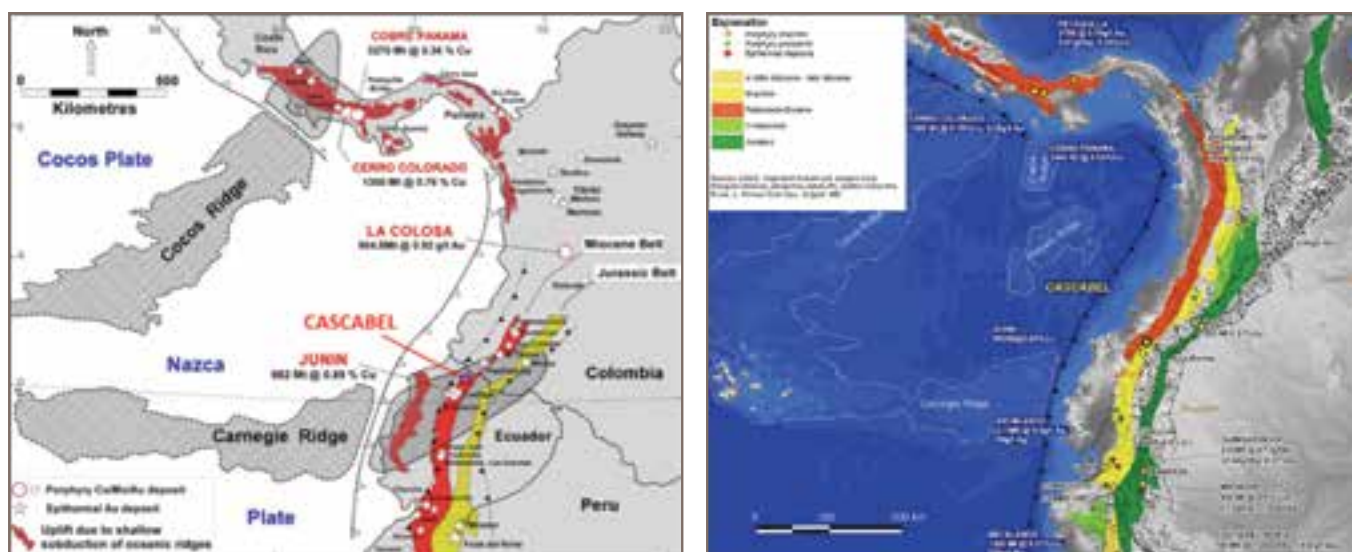
### ECUADOR *Continued*



**Figure 6:** Examples of the infrastructure advantages developed within the country.

Northern Ecuador lies within the 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. The tenement lies on the margin of the Eocene and Miocene metallogenic belts which are renowned for hosting some of the world's largest porphyry copper and gold deposits (**Figure 7**).

A number of other globally significant deposits have been discovered in the region, some of which are becoming mines. These include the Junin copper project (982 million tonnes at 0.89% Cu), located some 60 km to the south-west of Cascabel, the La Colosa porphyry deposit (905 million tonnes at 0.92 g/t Au) located to the north in Colombia and the massive Cobre Panama deposit (3.3 billion tonne at 0.36% Cu) located to the north in Panama which contains over 26 million ounces of gold. The Fruta del Norte project in southern Ecuador is among the largest and highest grade undeveloped gold projects in the world (23.5 million tonnes at 9.59 g/t Au) and highlights the pedigree of potential within the country.



**Figure 7:** Tectonic (left) and geological (right) setting of the Cascabel property in northern Ecuador, showing nearby major porphyry deposits. The Cascabel project area is located above the subducted extension of the Carnegie Ridge, where low angle subduction of buoyant slabs have generated zones of high magma flux and an environment for outstanding porphyry copper and gold fertility.

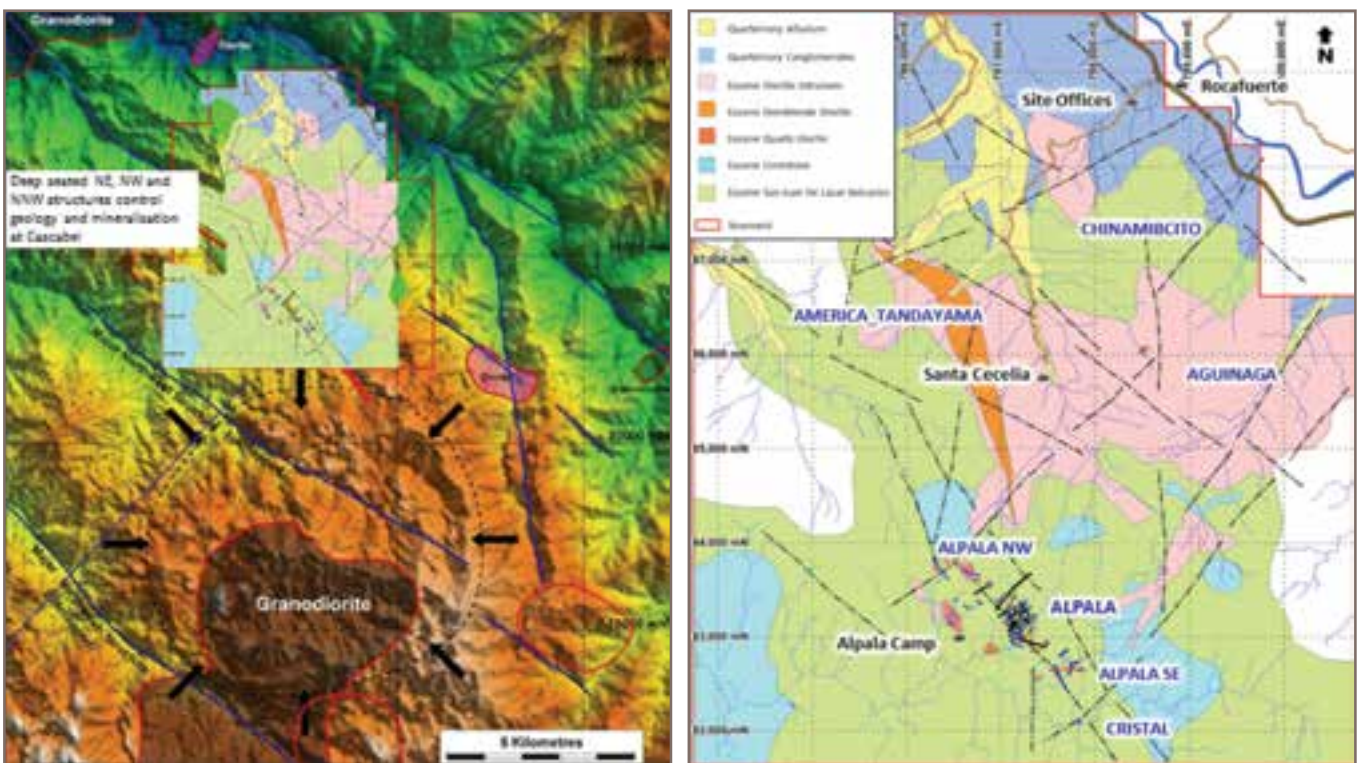


# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

The project is located in the Cordillera Occidental (or Western Cordillera) of the Ecuadorian Andes. Basement rocks consist of ocean floor basalts and sediments of Cretaceous age. High-level Eocene (and possibly Late-Miocene) batholiths and associated granite, granodiorite and diorite bodies intrude volcanic and sedimentary rocks of Cretaceous to Tertiary age. The regional controls that localise gold and copper mineralisation at Cascabel are intimately related with the three dimensional interaction of deep seated NE-trending 1st order structures, with NW-trending 2nd order (arc-normal) faults, and NNW-trending 3rd order structures (**Figure 8**). Within the Cascabel concession, volcanic and sedimentary rocks are intruded by a number of Quartz diorite, diorite and hornblende diorite stocks and dykes. The SolGold field teams continue to perform 1:500 scale, “Anaconda” style geological over the tenement area and updates to the local geology map remain ongoing.



**Figure 8:** Regional topographic imagery showing regional structural framework of the Cascabel project area (left), and local geology updated from recent field mapping by SolGold geoscientists (right).



# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

#### Exploration Highlights

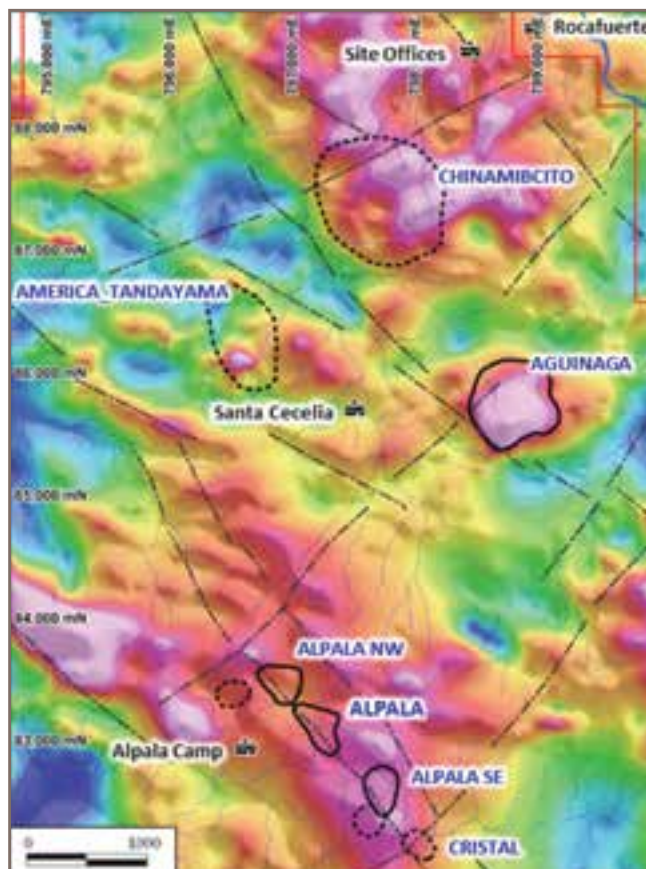
Exploration activities during 2015 included:

- Anaconda style geological mapping in key areas.
- Extension and infill soil sampling across the remaining prospective portion of the tenement. Rock-saw channel sampling at Alpala and Aguinaga, including the discovery of porphyry stock-work copper-gold mineralisation outcropping at surface at Aguinaga.
- Modelling of heli-magnetic, Orion 3DIP and magneto-telluric (MT) surveys at Alpala and Aguinaga.
- Diamond drilling of drill holes 8 to 12 at Alpala, for a total of 7,393.84 m, bringing the total for metres drilled at Cascabel to 13,808.92 m.
- Upgrade of the Alpala field camp and the Rocafuerte field office.
- Petrographic work on drill core from drill holes at Alpala, confirming intrusive lithologies, mineralisation styles, paragenesis, and alteration types.
- Preliminary metallurgical test work 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 annual technical and environmental management reports.

This work has generated seven key areas of interest:

**(Figure 9):**

- 1) Alpala (or Alpala Central)
- 2) Alpala Northwest
- 3) Alpala Southeast
- 4) Aguinaga
- 5) Chinamibcito
- 6) America-Tandayama
- 7) Cristal



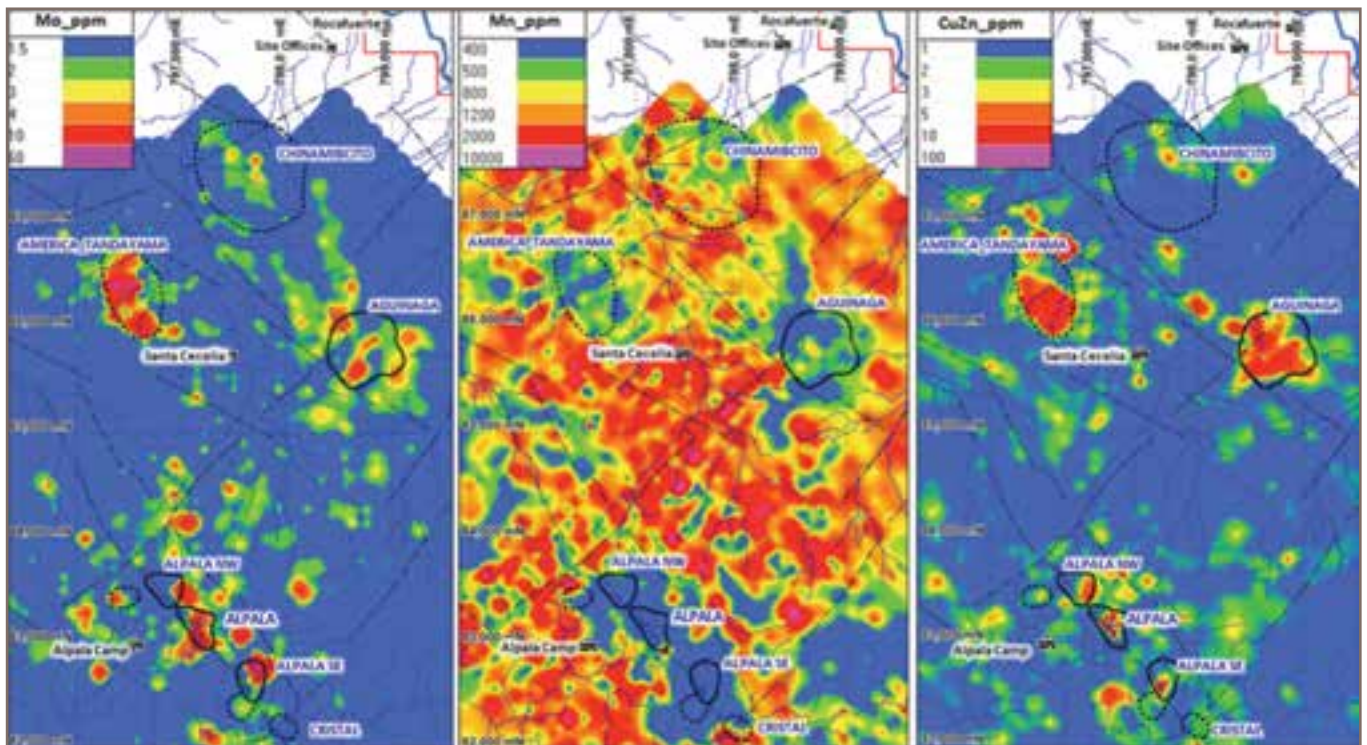
**Figure 9:** Key sites and prospect areas showing interpreted porphyry centres over RTP magnetics background.

# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

The completion of soil gridding and infill across the entire tenement area has produced coincident molybdenum, gold and copper / zinc ratio in soil anomalies that suggest a inferred porphyry centre characterised by higher temperatures of mineralisation. The low manganese in soil is inferred to be related to intense late-stage hydrothermal alteration, whilst the presence of elevated zinc surrounding these areas of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits (**Figure 10**).



**Figure 10:** Examples of soil geochemical anomalism (for molybdenum, manganese and copper-zinc ratio) over the Cascabel project area, showing classical porphyry signatures at Alpala, Aguinaga, Chinambicito and America Tandayama.

Priority target areas at Alpala, Alpala Southwest and Aguinaga will be drill tested in the coming year, whilst field programs continue to assess potential at Chinambicito, and America-Tandayama, as well as detailed follow up field work at Alpala Northwest, Alpala Southeast and Cristal targets. A number of other satellite targets are being generated in the surrounding areas and exploration over the tenement is expected to produce more valuable targets that will be brought to drill ready status in the coming year.

### **Alpala**

Following the granting of the Environmental License on 27 August 2013, SolGold commenced diamond drilling on the 1st September 2013. Initial drilling focussed on intersecting the down-dip extension of outcropping sheeted and stock-

work "B" type quartz veins in Alpala Creek.

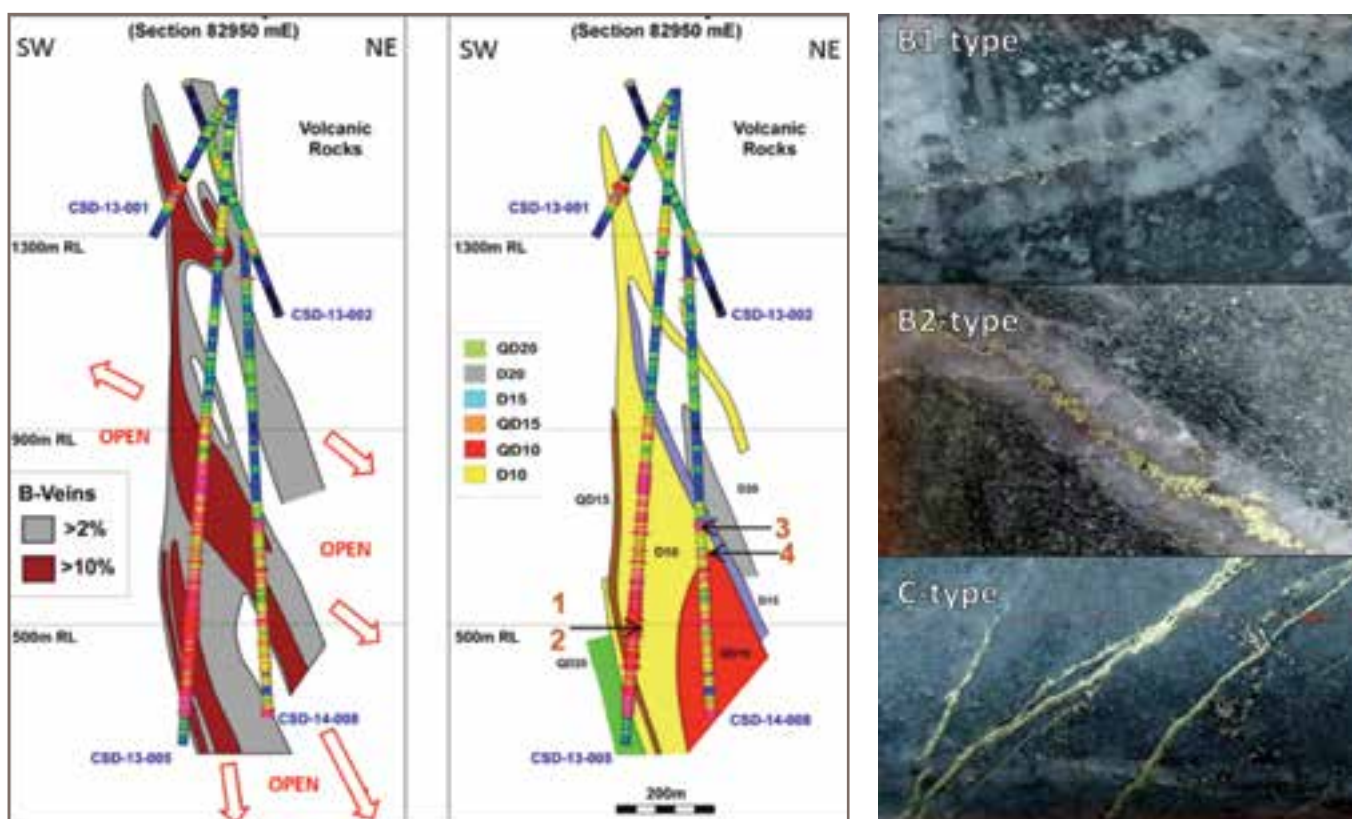
The completion of twelve diamond core holes over a 700 m by 250 m area has now defined a northwesterly-trending, steeply northeast-dipping dike-stock complex of diorite to quartz diorite that exceeds 1300 m in height. This intrusive complex is hosted by a sequence of andesitic volcanoclastic rocks and lavas. The host-rocks are mapped as the Oligocene to Early Miocene San Juan de Lachas Formation, however, age date constraints from studies conducted by SolGold suggest that the lower portion of this sequence was deposited in the Eocene. The best drill intercept to date is 1312 m at 0.67 % Cu and 0.63 g/t Au from 128 m depth in CSD-15-012, which includes 576 m at 1.03 % Cu and 1.19 g/t Au. The deposit remains open at depth, along- and across-strike like the massive La Escondida and Chiquicamata deposits in Chile.

# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

The geometry and nature of the mineralisation at Alpala is now quite well understood. A total of six phases of intrusion are defined on the basis of composition and relative timing-relationships with porphyry-related vein-stages. The equigranular to sub-porphyrific, hornblende-bearing intrusions are narrow, taper upwards and consist of pre- to early-mineralization D10 diorite to microdiorite and QD10 quartz diorite; intra-mineralization D15 diorite and QD15 quartz diorite; and late-mineralization dikes of D20 diorite and QD20 quartz diorite (**Figure 11**). Age dating on zircons in mineralised intrusions returned  $38.7 \pm 0.6$  Ma, which lies near the boundary of the Middle- to Late-Eocene. The porphyry-related vein types and paragenesis at Alpala indicate a systematic progression in time and classical porphyry B-type quartz veins contain the majority of the copper and gold in the deposit. Chalcopyrite-rich, C-type sulphide veins containing accessory bornite also contain significant amounts of metal and are associated with elevated gold grades. The B- and C-type veins are spatially associated with intrusions that show variable feldspar-destructive, sericite-chlorite+clay overprinting of biotite-actinolite and chlorite-epidote alteration.



**Figure 11:** Section 82950 through the centre of the Alpala system showing the geometry of B-vein occurrence intimately associated with the intrusion of early D10 diorite and QD10 quartz-diorite phases. Intramineral and late stage dykes and stocks intrude along contacts and structures (left). Examples of “B-” and “C-” type veining at Alpala (right).

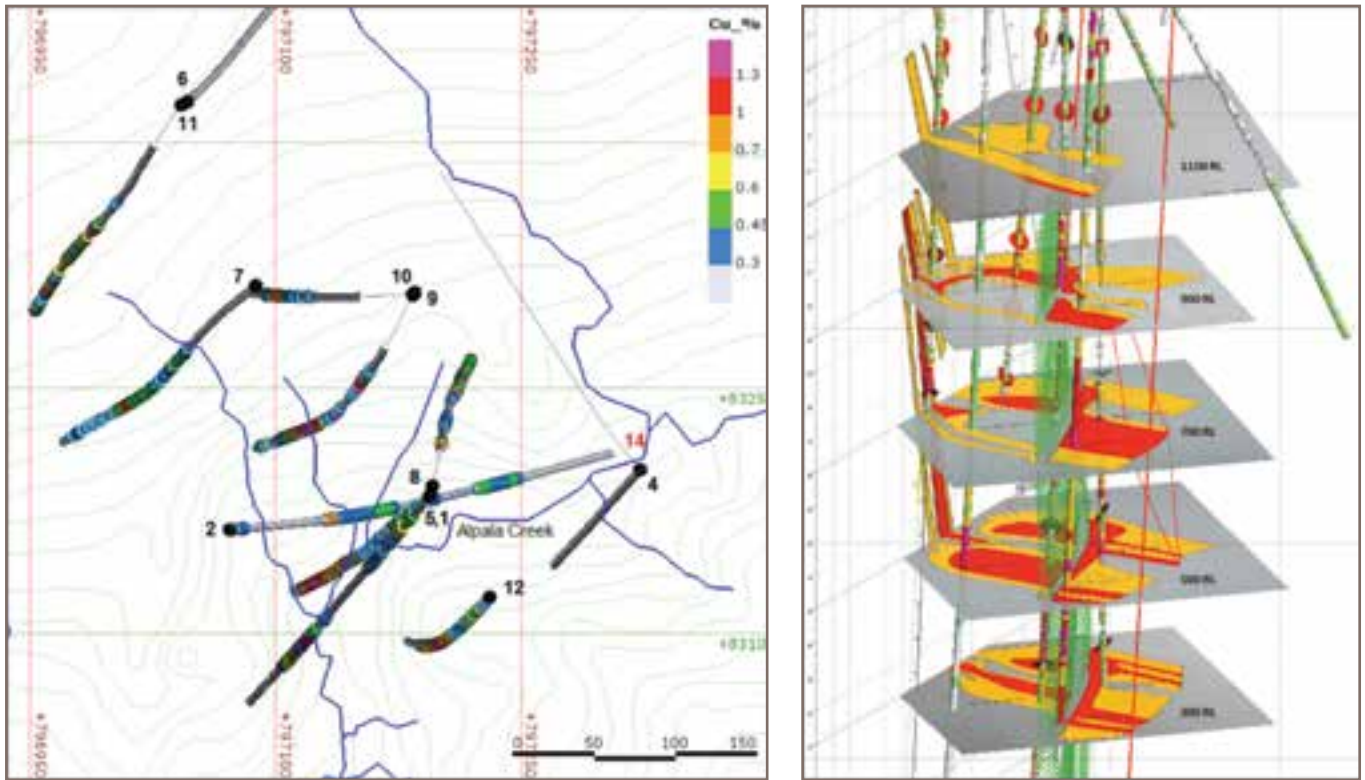
During the year, drilling focussed on expanding the known mineralisation at Alpala along strike, both towards the northwest and southeast. The mineralised porphyry copper gold system at Alpala occurs around 150 m in length and 50 m width as mapped at surface and drilling to date has identified an extent of 700 m in length and 250 m width at depth. All holes returned encouraging results with completion drill holes CSD-14-007 to CSD-15-012 making valuable additions to the known geometry of the porphyry centre at Alpala. Anaconda style surface mapping of geology, quartz veins, sulphides and alteration was completed and creation of level plans and cross sections has led to production of geology models for copper (**Figures 12 and 13**).



# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*



**Figure 12:** Drill hole locations at Alpala showing downhole copper results (left), and level plan and cross section interpretation examples, showing B-vein abundance contours at >2% in yellow and >10% in red (right).

Drill hole CSD-14-007 was terminated at 1672.76 metres depth after encountering early D10 diorite from 1251.26 m to 1298.30 m varying degrees of potassic alteration. Visible copper sulphides continued through the remainder of the hole but at progressively diminishing intensities, in association with marginal inner propylitic alteration types. From 1298.30 m to 1672.76 m there was a progressive reduction in quartz vein intensities indicating that the hole was progressing beyond the western margin of the system.

Drill hole CSD-14-008 was drilled to 1310.4 m depth and intersected the early D10 diorite from 902.0 m to 973.0 m and passed into the equally prospective early QD10 quartz diorite intrusion from 973.0 m to the end of the hole. Copper mineralisation hosted within the early intrusions returned moderate to strong copper and gold mineralisation in two zones from 904 m to 1186 m and 1264 m to 1310.5 m respectively.,

Drill hole CSD-14-009 was terminated at 1757.3 m and returned very positive intersection comparable to globally significant drill intersections at existing large porphyry copper-gold deposits, with a total downhole interval extending over 1 kilometre that remains open at depth. Hole 9 intersected two distinct high grade porphyry stockwork zones from 710 m to 820 m and from 1062 m to 1482 m within early D10 and QD10 intrusives, intra-mineral QD15 dykes and a late QD20 dyke. The upper zone is interpreted to represent an easterly repeat of the known main orebody that is likely to form a zone of coalescence at depth where future drill testing is planned.

Drill hole CSD-15-010 confirmed high grade copper and gold mineralisation extends to the northwest, intersecting the early D10 diorite from 562 m to the end of the hole. Drilling encountered difficulties within a clay-rich zone of broken ground and was abandoned at 974.8 m.



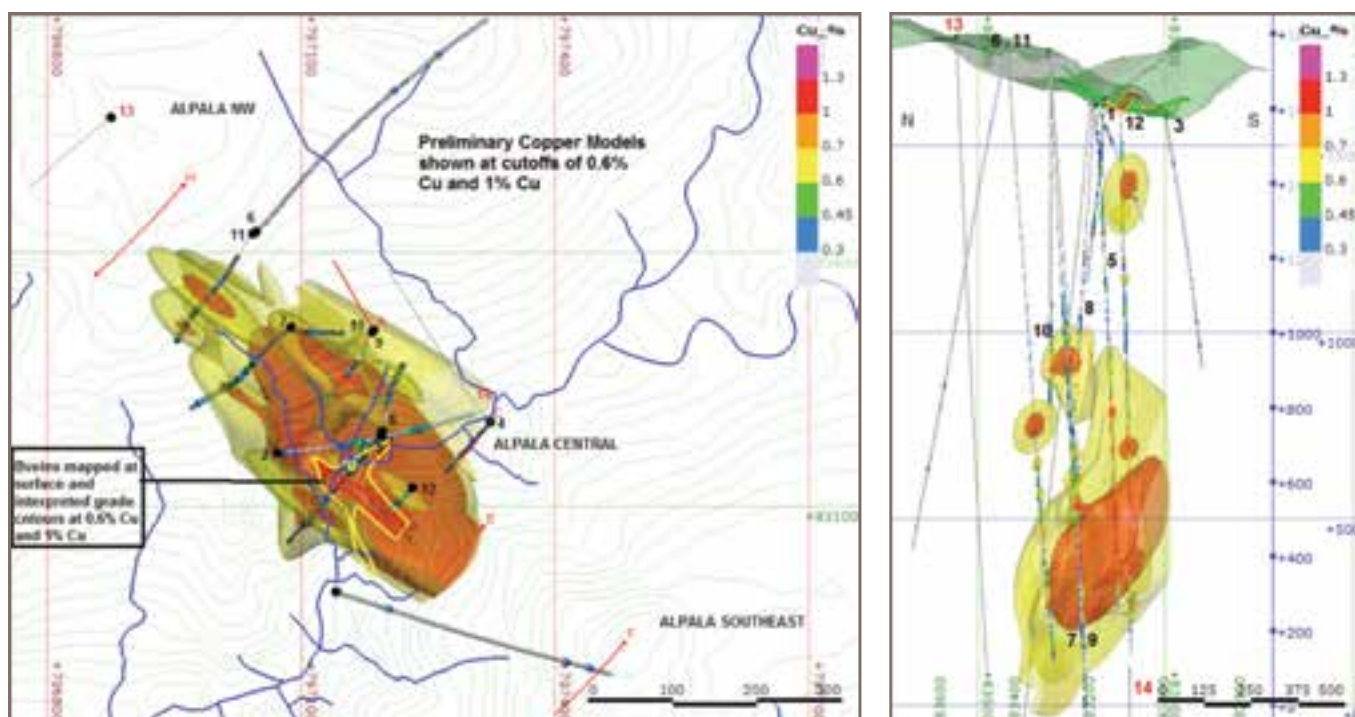
# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

Drill hole CSD-15-011 was drilled to a depth of 1668.2 m and returned results consistent with observations of alteration assemblages in the drill core, which suggest the hole passed along the NW margin of the known high grade Alpala Central zone. However, early D10 diorite host rocks along the lower zone of Hole 11 maintain 0.5-2% B-type quartz veins, with significant copper and gold mineralization which yet remains open to the northwest.

Drill hole CSD-15-012 is the most recent hole drilled on the project and was completed at a depth of 1683.0 m. Final assay results from high grade porphyry copper gold mineralisation returned world class intersection of over a kilometre downhole. Copper-gold mineralisation was intersected in two distinct zones that SolGold geologists expect will coalesce into a broader zone of high grade mineralisation at depth. The upper portion of the “Eastern Limb” zone from 128 to 366 metres depth, is hosted within the San Juan de Lacas Volcanics and returned 238 m @ 0.47 % Cu and 0.15 g/t Au. The “Main Limb” zone (1002 m) from 438 to 1440 metres depth, hosted within early D10 diorite and QD10 quartz-diorite porphyry, returned 1002 m @ 0.76 % Cu and 0.77 g/t Au. The mineralised zones encountered in Hole 12 are shown along a southwest-northeast cross-section in Figure 3. The 238 m intersection over the upper portion of the “Eastern Limb” zone is associated with chalcopyrite and bornite mineralisation. The occurrence of this strong mineralisation within the volcanic cover bodes well for stronger intrusive hosted mineralisation at depth. Chalcopyrite is typically 35% copper and the bulk of the copper bearing mineral in a copper porphyry system. Bornite is significantly richer in copper at approximately 63% copper and is a sought after copper mineral species, for its contribution to high grade copper metal sulphide concentrate normally sold from a mine. The 1002 m intersection through the “Main Limb” zone, reflects a broad zone of intense stock work quartz - magnetite - chalcopyrite and bornite mineralisation hosted within early stage diorite and quartz diorite intrusives. These characteristics are common in many major porphyry copper-gold deposits around the globe.



**Figure 13:** Surface interpretation of copper contours at 0.6% and 1% Cu showing preliminary copper models at 0.6% and 1% Cu (left). Cross section looking east (right). Existing drill holes 1-12 shown in black with planned drill holes shown in red.

# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

Hole ID	From	To	Int.	Cu_%	Au_g/t	CuEq_%
<b>CSD-13-001</b>	16	318	<b>302</b>	0.39	0.48	0.68
	16	120	<b>104</b>	0.37	0.38	0.60
	222	322	<b>100</b>	0.65	1.00	1.25
	226	284	<b>58</b>	0.96	1.67	1.96
<b>CSD-13-002</b>	126	418	<b>292</b>	0.37	0.30	0.54
	184	226	<b>42</b>	0.50	0.68	0.91
<b>CSD-13-003</b>	4	751.3	<b>747.3</b>	0.11	0.05	0.14
	54	156	<b>102</b>	0.16	0.03	0.18
	584	712	<b>128</b>	0.23	0.14	0.31
<b>CSD-13-004</b>	160	318.3	<b>158.3</b>	0.11	0.05	0.14
<b>CSD-13-005</b>	24	1330	<b>1306</b>	0.62	0.54	0.95
	24	420	<b>396</b>	0.32	0.17	0.43
	778	1310	<b>532</b>	1.05	1.08	1.70
	1052	1310	<b>258</b>	1.27	1.40	2.12
<b>CSD-14-006</b>	702	1038	<b>336</b>	0.18	0.12	0.25
<b>CSD-14-007</b>	654	1612	<b>958</b>	0.40	0.17	0.51
	1056	1294	<b>238</b>	0.65	0.35	0.87
	1160	1294	<b>134</b>	0.75	0.50	1.05
	1200	1294	<b>94</b>	0.84	0.62	1.2
<b>CSD-14-008</b>	396	1310.45	<b>914.45</b>	0.41	0.44	0.67
	396	862	<b>466</b>	0.25	0.24	0.39
	862	1310.45	<b>448.45</b>	0.56	0.64	0.95
	904	1186	<b>282</b>	0.60	0.76	1.06
	1264	1310.45	<b>46.45</b>	0.71	0.58	1.05
<b>CSD-14-009</b>	430	1757.35	<b>1327.35</b>	0.57	0.74	1.02
	650	1738	<b>1088</b>	0.66	0.89	1.2
	710	1482	<b>772</b>	0.80	1.19	1.51
	650	912	<b>262</b>	0.69	1.31	1.48
	1062	1482	<b>420</b>	1.00	1.34	1.81
	1208	1386	<b>178</b>	1.60	2.47	3.08
<b>CSD-15-010</b>	446	840	<b>394</b>	0.38	0.36	0.6
	604	840	<b>236</b>	0.51	0.54	0.84
	760	840	<b>80</b>	0.86	1.19	1.57
<b>CSD-15-011</b>	996	1632	<b>636</b>	0.58	0.40	0.82
	1110	1518	<b>408</b>	0.56	0.34	0.76
	1412	1518	<b>106</b>	0.73	0.50	1.03
<b>CSD-15-012</b>	128	1440	<b>1312</b>	0.67	0.63	1.05
	438	1440	<b>1002</b>	0.76	0.77	1.22
	844	1420	<b>576</b>	1.03	1.19	1.75
	876	1344	<b>468</b>	1.14	1.40	1.98
	1002	1286	<b>284</b>	1.33	1.82	2.43

\* Data Aggregation Method

- Intercepts reported with up to 10m internal dilution. (Excluding bridging to a single sample)

- Intercepts selected at minimum length 30m, using Cu equivalent cutoff grades and a gold conversion factor of 0.6.

\* Gold Conversion Factor calculated from Cu price US\$3/lb and Au price US\$40/g

Table 2: Selected drill hole intersections at Alpala to date.

# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

#### Aguinaga

Aguinaga prospect lies along a prominent topographic high (1615 m) about 3 km south of Rocafuerte site office and 1.3 km to the north-west of Alpala. The interpreted porphyry centre at Aguinaga occurs at the confluence of a deep seated regional north-west trending structure with a major north-east trending lineament. This is the same structural regime within the same host rocks that hold the recently discovered porphyry deposit at Alpala.

It is characterised by a classical 500 m x 500 m magnetic high surrounded by an annular magnetic-low which has strong similarities with the enormous Alumbra deposit in Chile, as well as the Grasberg and Batu Hijau magnetic signatures. This geometry is consistent with a large porphyry system characterized by a central magnetic high related to an intrusive centre and a magnetite-destructive halo caused by pyritic phyllic / argillic alteration. The presence of a very strong annular chargeability high with a central tapering root at Aguinaga is consistent with sulphide-bearing, disseminated and/or stock work style mineralisation peripheral to and above a porphyry stock. **(Figure 14).**

The textbook style combination of soil geochemical anomalies over the prospect is tremendously convincing. The presence of coincident copper, gold, and molybdenum in soil anomalies supports the inferred porphyry centre at Aguinaga. The low manganese in soil that flanks the central copper zone to the north and south is likely to be related to intense late-stage hydrothermal alteration. The presence of an elevated zinc aureole surrounding this area of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

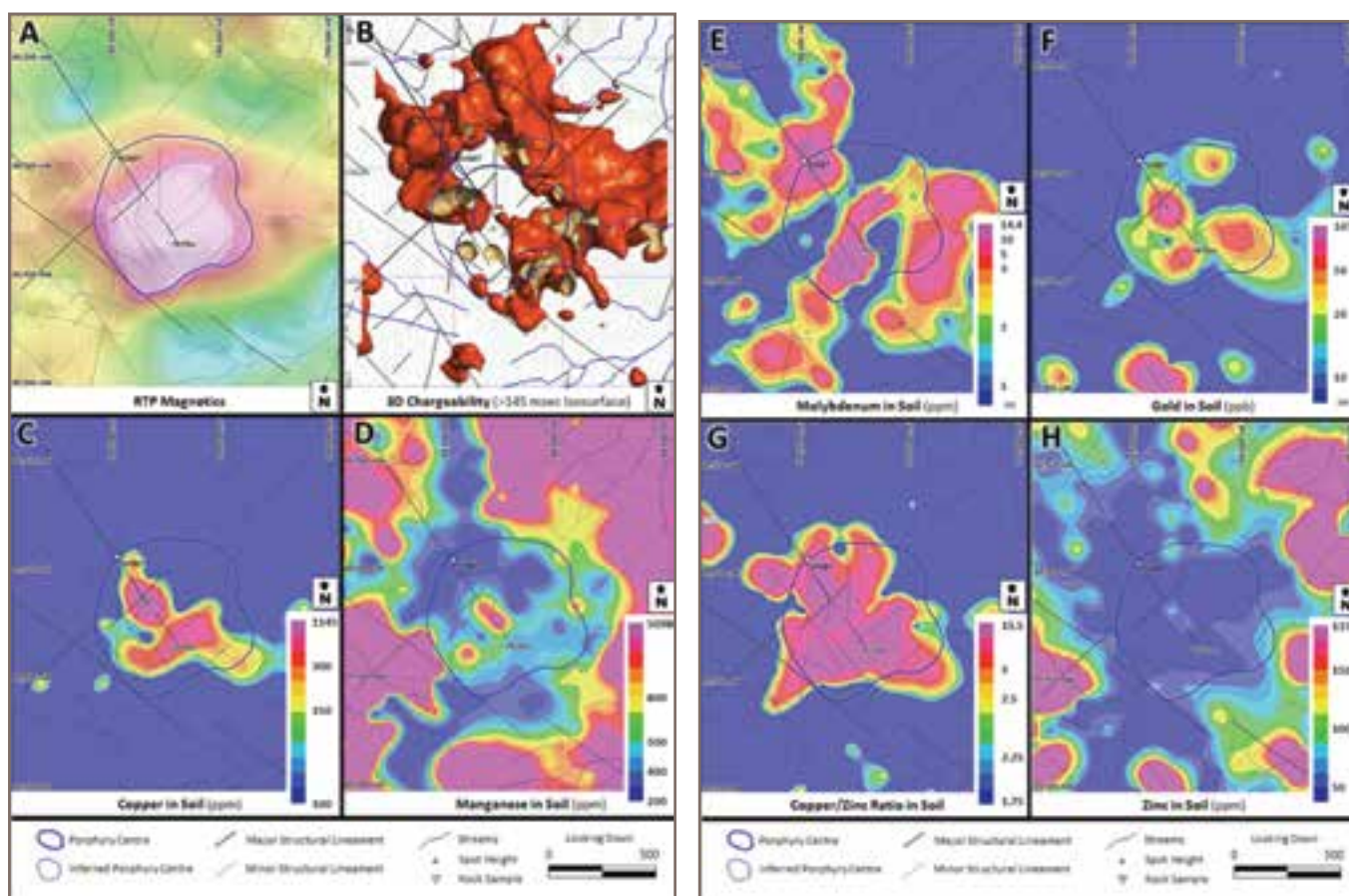


Figure 14: Surface interpretation of copper contours at 0.6% and 1% Cu showing preliminary copper models at 0.6% and 1% Cu.



# STRATEGIC REPORT

## OPERATIONS REPORT

### ECUADOR *Continued*

#### Aguinaga

Reconnaissance field-work initially located mineralised porphyritic diorite along the northern slope of Aguinaga Hill, subsequent detailed, 1:500 scale, “Anaconda” style geological and structural mapping has led to the discovery of porphyry stock-work copper-gold mineralization outcropping at surface. Mineralisation is exposed along the upper section of Aguinaga Creek, where classic porphyry style ‘B’-type quartz-magnetite-chalcocopyrite-bornite stock-work veining occurs within porphyritic diorite (**Figure 15**). The outcropping mineralisation is accompanied by potassic (biotite) alteration and remains open to the north where creek sediments and jungle limit further surface exposure.

Rock-saw channel sampling results over the exposed outcrop returned an open ended intersection of 9.0 m @ 1.01 % Cu, and 0.79 g/t Au (**Table 3**). Further rock saw channel sampling, and infill soil-sampling along with spectral analysis of soils to determine hydrothermal alteration assemblages remain ongoing and SolGold expects to bring the prospect to drill-ready status over the coming quarter.

Trench ID	Length (m)	Cu_%	Au_g/t	m x % Cu	m x g/t Au
AG001	1	0.84	0.57	0.84	0.57
AG001	1	1.59	0.93	1.59	0.93
AG001	1	0.8	0.42	0.8	0.42
AG001	1	0.47	0.24	0.47	0.24
AG001	1	0.7	0.33	0.7	0.33
AG001	2	0.26	0.196	0.52	0.392
AG001	2	2.07	2.11	4.14	4.22
<b>Totals</b>	9	1.01	0.79		

**Table 3:** Rock-saw channel sample results from Trench AG001 at Aguinaga.



**Figure 15:** Recent discovery of mineralised porphyritic diorite hosting porphyry stock-work copper-gold mineralization outcropping at surface along the northern slope of Aguinaga Hill.



# STRATEGIC REPORT

## OPERATIONS REPORT

**ECUADOR** *Continued*



**Figure 16:** SolGold's team at the Rocafuerte field office.

# STRATEGIC REPORT

## OPERATIONS REPORT

### SOLOMON ISLANDS

In the Solomon Islands, SolGold has streamlined its in-country presence after significant drill testing reduced the prospectivity of the Fauro, Koloula and Malakuna tenements. No further exploration work was carried out on these projects and they were subsequently relinquished. The exciting Kuma project in Guadalcanal has emerged as a significant porphyry copper-gold target upgraded by recent geochemical and spectral work by GEX in 2014-15.

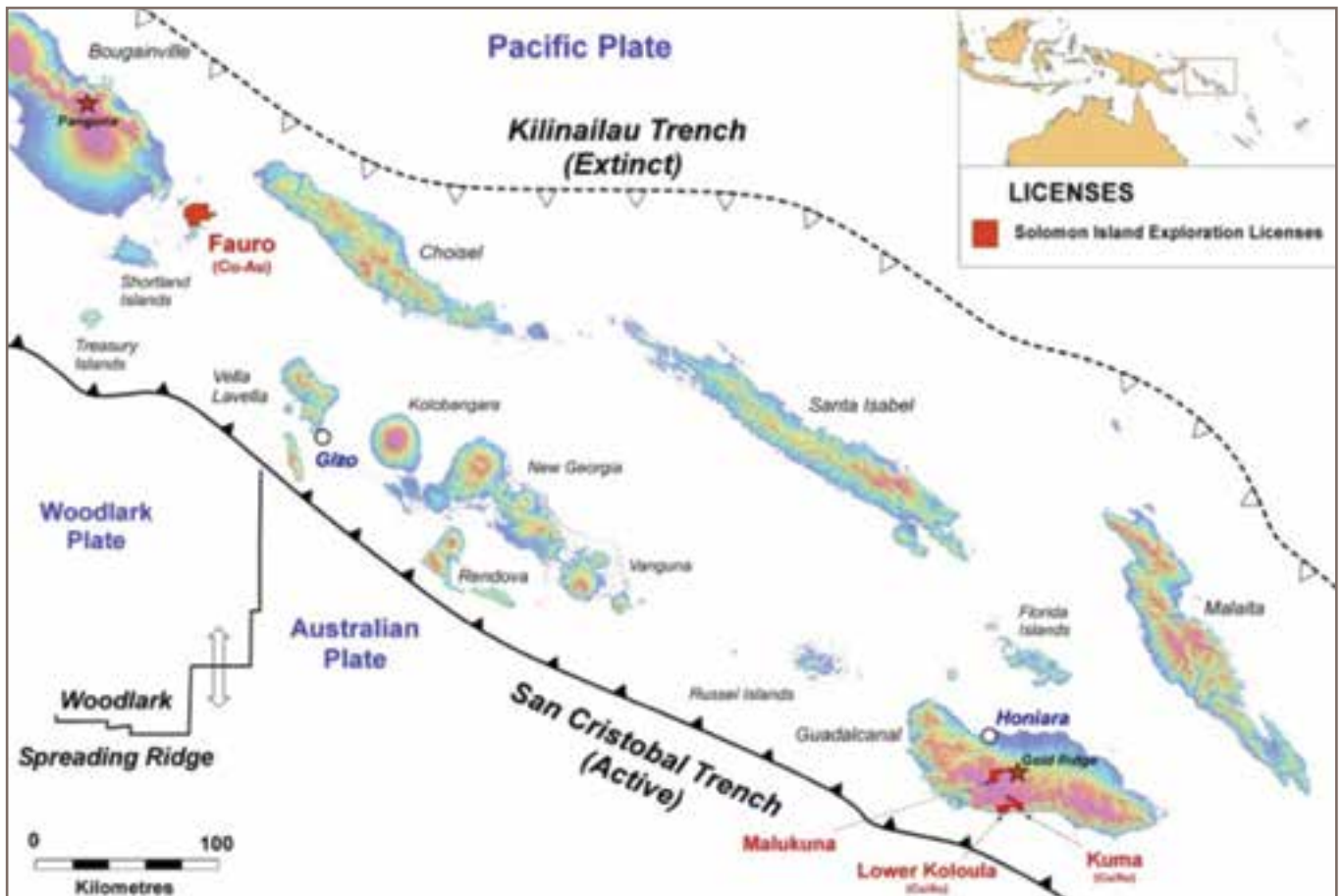


Figure 17: Location of the Kuma exploration license held by SolGold in the Solomon Islands.

# STRATEGIC REPORT

## OPERATIONS REPORT

### SOLOMON ISLANDS *Continued*

#### Kuma project (100% owned application)

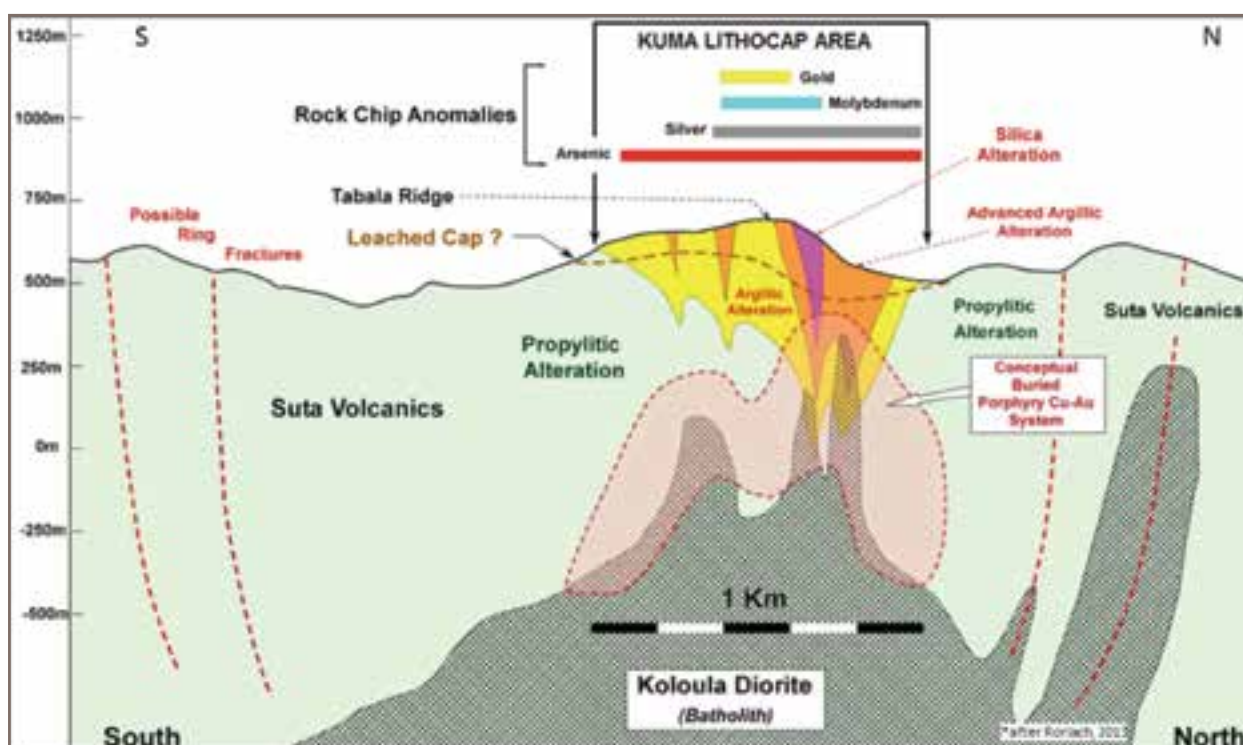
**Location:** 37 km south-east of the capital Honiara, Solomon Islands

**Ownership:** 100% owned

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

**Primary Target:** 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). 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 (Figure 18).



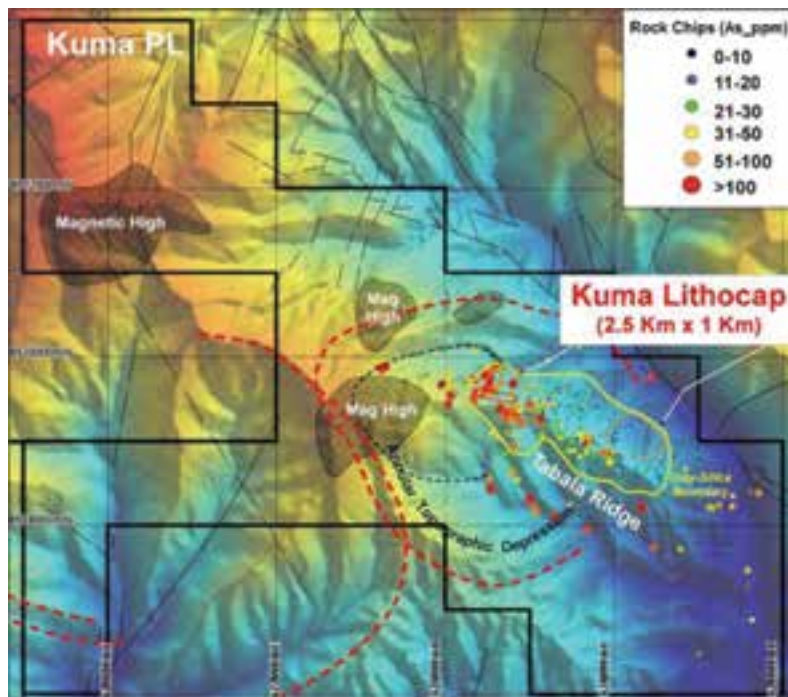
**Figure 18:** Section showing conceptual model over the Kuma prospect, showing geochemical zonation and an alteration lithocap overlying a buried porphyry copper-gold system



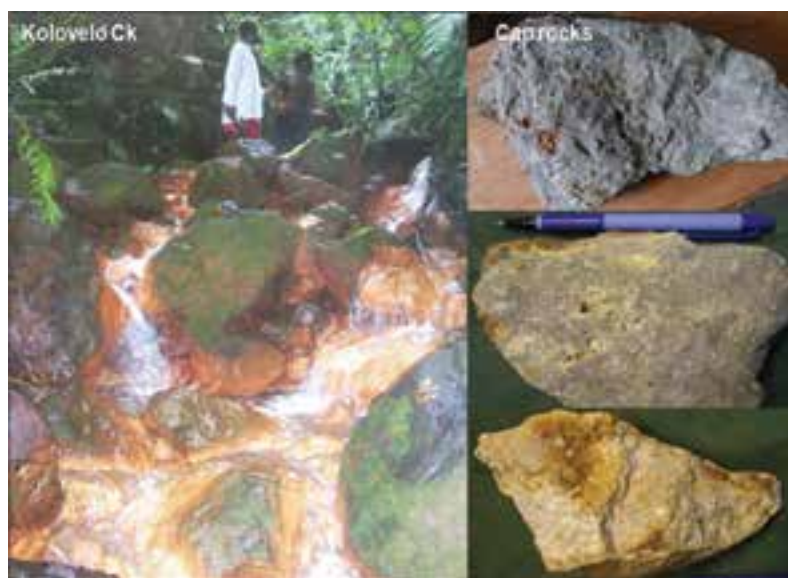
# STRATEGIC REPORT

## OPERATIONS REPORT

### SOLOMON ISLANDS *Continued*



The geochemically anomalous portion of the Kuma lithocap (northwest end) lies within the annular topographic anomaly. Kuma, has a spectacular oxidized 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 (Figure 19).



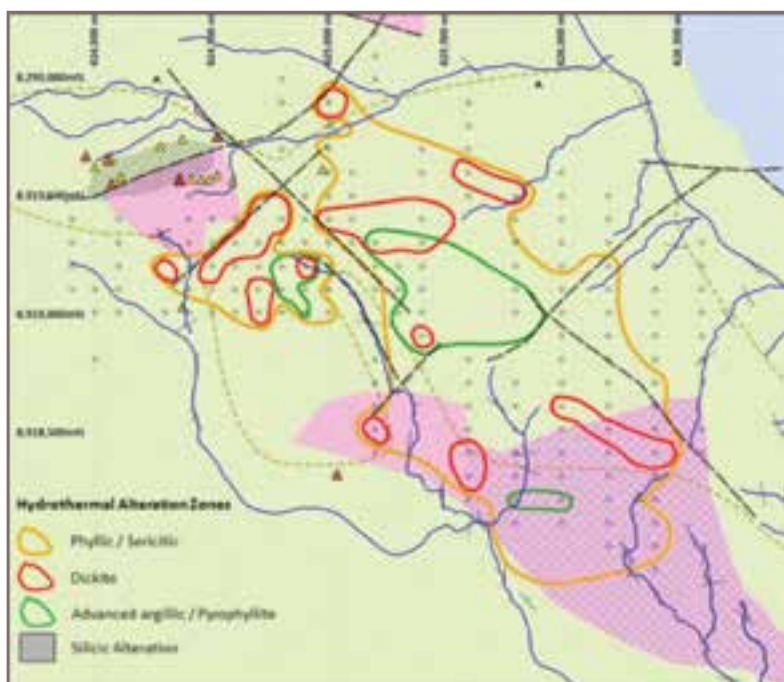
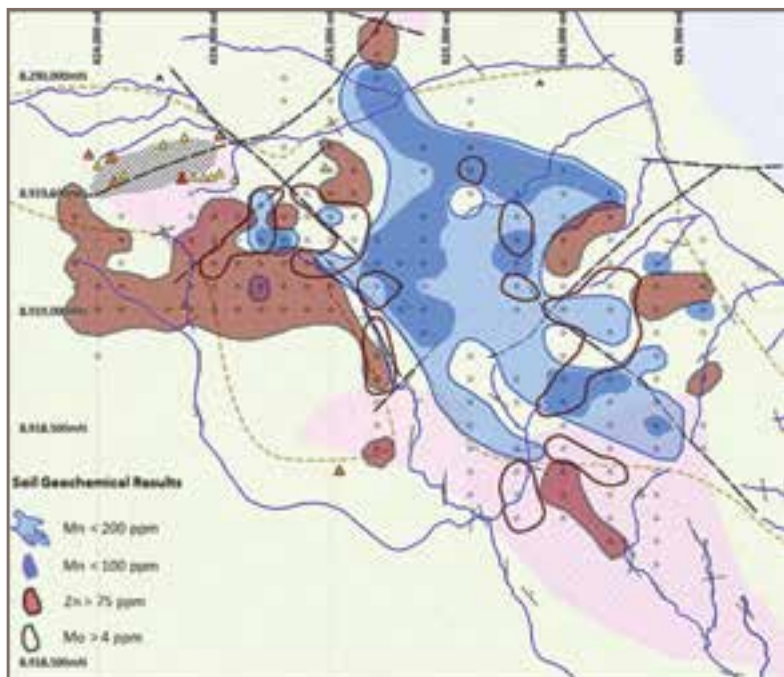
**Figure 19:** Geological setting of the Kuma lithocap along Tabala Ridge (top) and the discovery of classical porphyry style leached cap and lithocap rocks at Kolovelo and Alemba creeks (above).



# STRATEGIC REPORT

## OPERATIONS REPORT

### SOLOMON ISLANDS *Continued*



**Figure 20:** Soil geochemical zonation over the Kuma prospect showing a central molybdenum high with coincident manganese depletion with an annular zinc halo (top), and simplified geology showing extent of mapped silica-clay-pyrite (above).

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 Cu-Au mineralization at depth. TerraSpec spectral analysis of sieved coarse fraction soil samples covering the Kuma lithocap area, was completed at a commercial laboratory in Australia. The results integrated with known geology in the prospect area has highlighted a primary porphyry target centre in the northern portion of the lithocap. **(Figures 20 and 21).**

The prospecting licence (PL 08/06) expired on 11 April 2015 and accordingly the carrying value of \$0.31 million was considered to be impaired and an impairment charge of \$0.31 million (2014: \$nil) was recognised during the year.

Anaconda style geological mapping is planned for the coming year so as to bring the project to drill ready status in 2016. Three steeply-inclined diamond core drill-holes, each about 800 m deep, are envisaged for an initial test of the target area. Drill Sites will be located following Anaconda style geological mapping within and peripheral to the target area. Silica ledges and dickite anomalies controlled by high level structure can be tested to provide vectors toward the centre of the Kuma porphyry gold-copper system and the identification and orientation of dikes (porphyritic felsic), veins (quartz and epidote) and fractures (containing chalcopyrite or magnetite).

# STRATEGIC REPORT

## OPERATIONS REPORT

### SOLOMON ISLANDS *Continued*

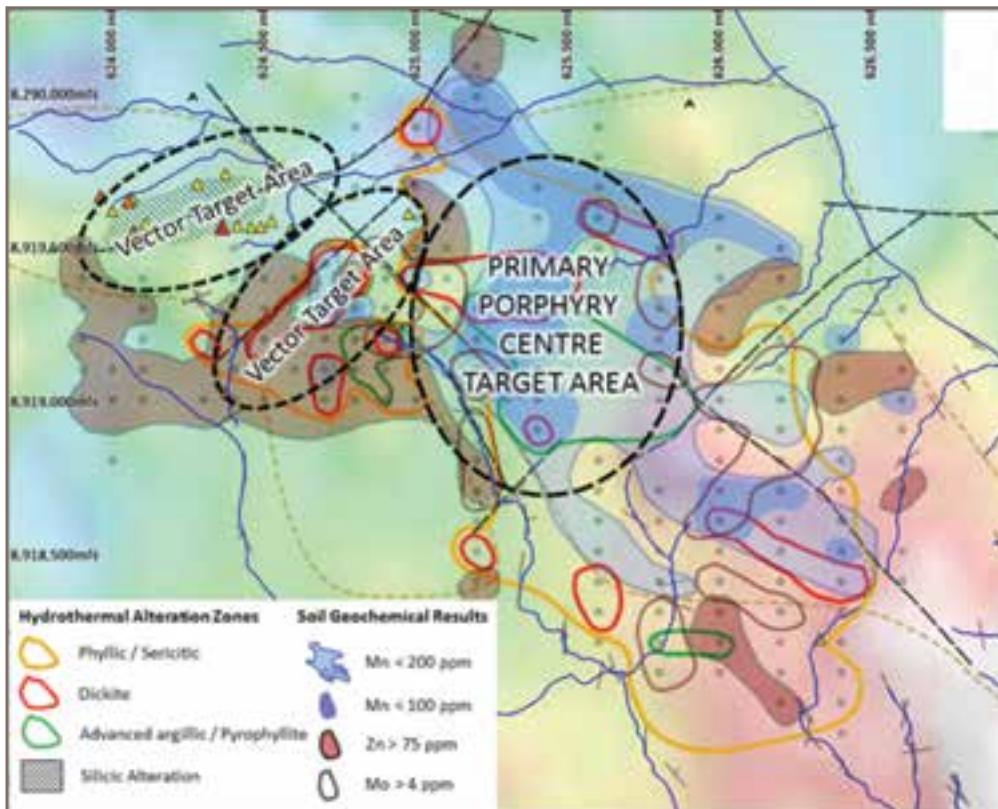


Figure 21: Combined imagery showing summary of interpreted hydrothermal alteration zones and geochemical anomalies, over RTP magnetics.

# STRATEGIC REPORT

## OPERATIONS REPORT

### 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.

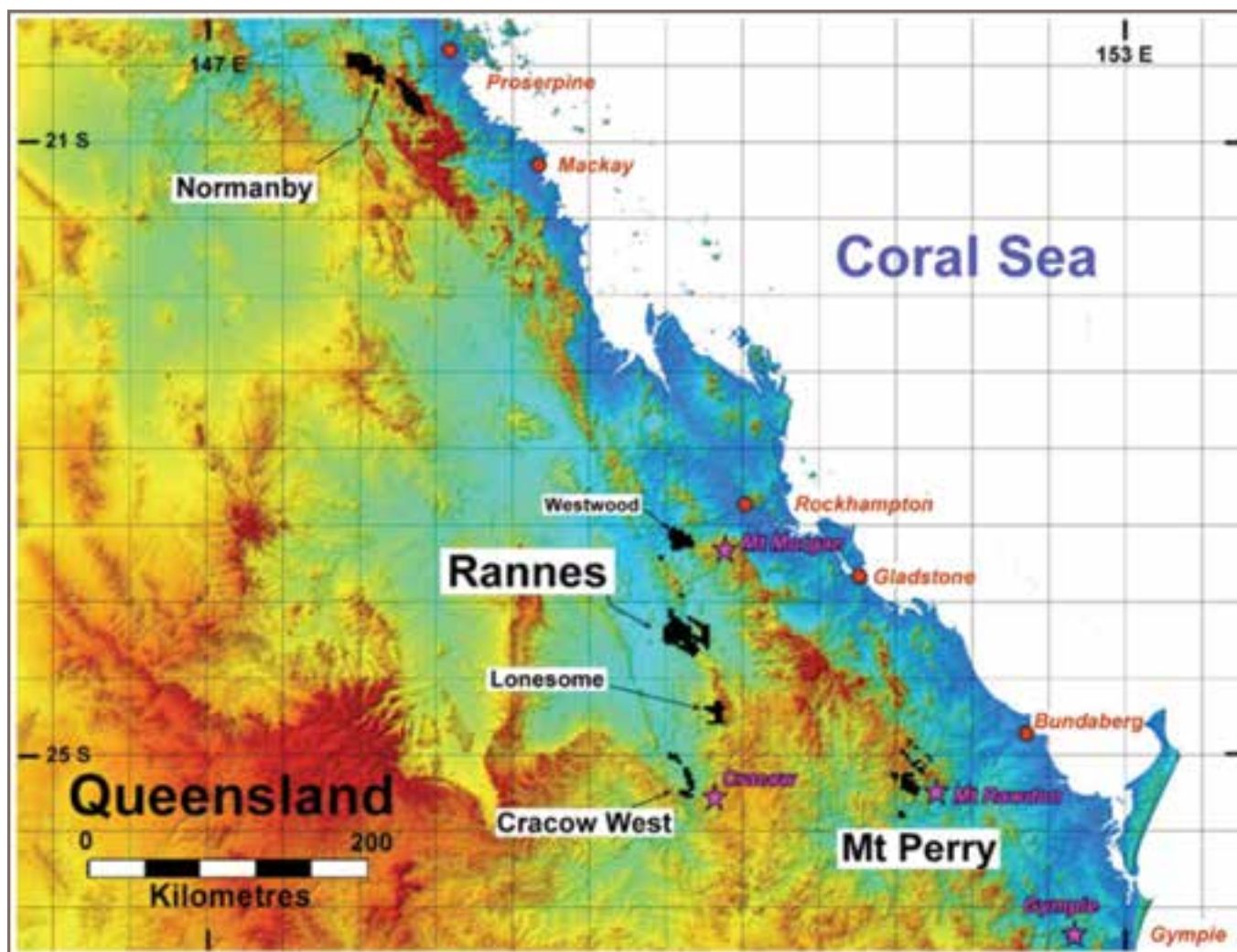


Figure 22: Location of tenements held by SolGold in Queensland, Australia.



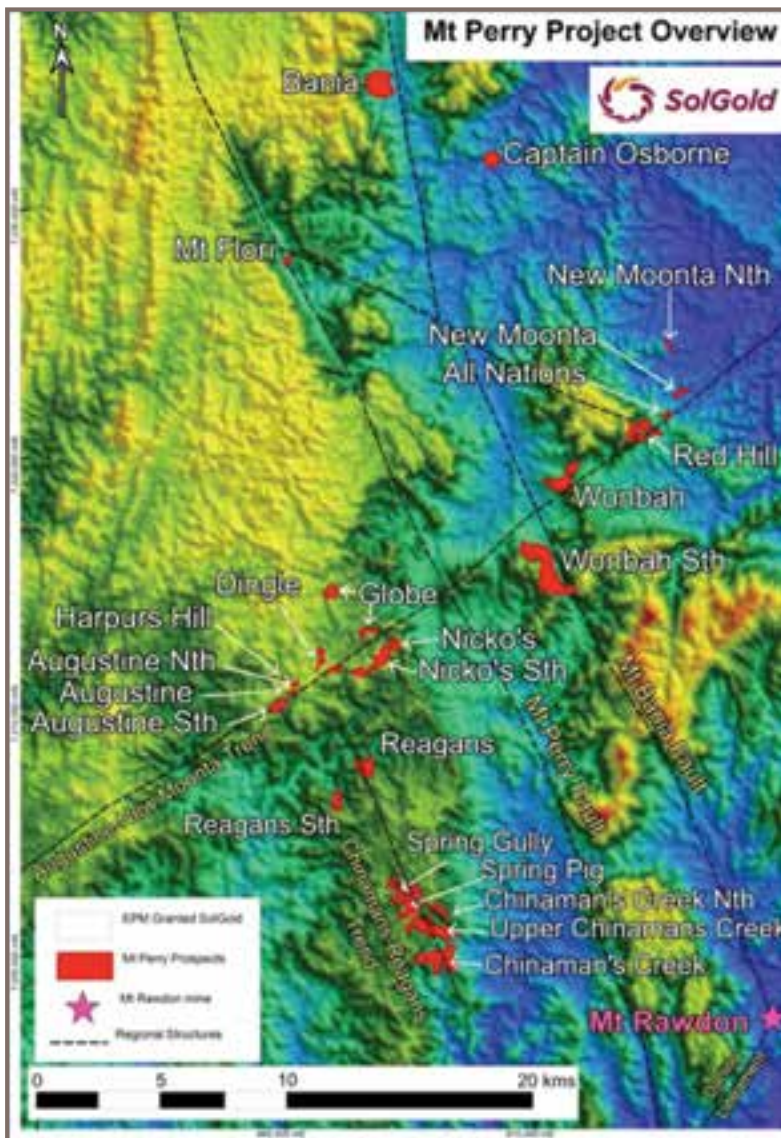
# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

#### Mount Perry (100% SolGold)

<b>Location:</b>	130 km north-west of Gympie, Queensland, Australia
<b>Ownership:</b>	100% owned
<b>Tenement Area:</b>	89 granted sub-blocks (circa 277 km <sup>2</sup> ) and 103 application sub-blocks (circa 336 km <sup>2</sup> ; primarily tenement consolidation areas).
<b>Primary Target:</b>	High grade, lode gold deposits and possible gold porphyry deposits



**Figure 23:** Mt Perry project showing the prospect areas, and the Mt Rawdon mine and major regional structures.

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 23). 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. Exploration at Mt Perry has focussed along two mineralised structural zones (The Augustine-New Moonta trend and the Chinaman's-Reagans trend (**Figure 23**). The structural orientations of these are similar to the major structures that host the Mt Rawdon gold mine.

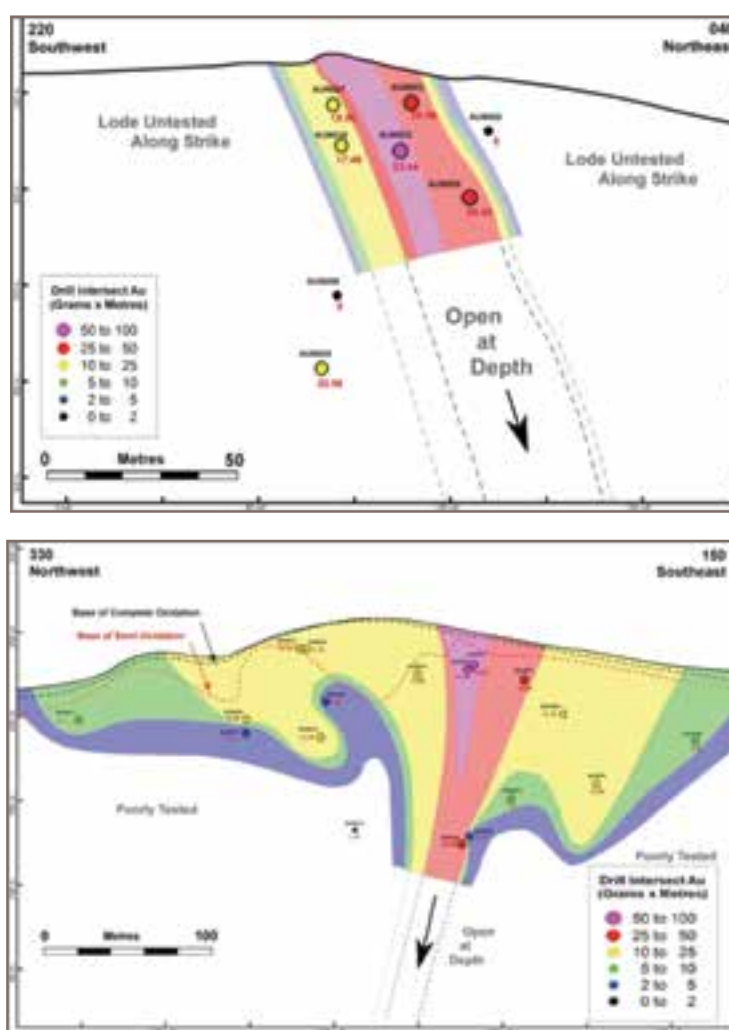


# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

The 'Augustine-New Moonta trend' extends over a 20 km long north-east trending corridor from Augustine in the south-west to the New Moonta mines in the north-east. 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-Reagens 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 7 km 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. Independent review of the geological resource potential of the area 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. SolGold encourages interest in a JV partnership to continue exploration at Mt Perry.



**Figure 24:** Augustine North section displaying an interpreted high-grade shoot dipping to the north-east (top), and long-section through the Bania Lode, showing gram-metre values over the 400 m strike length of drill testing (above).

# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

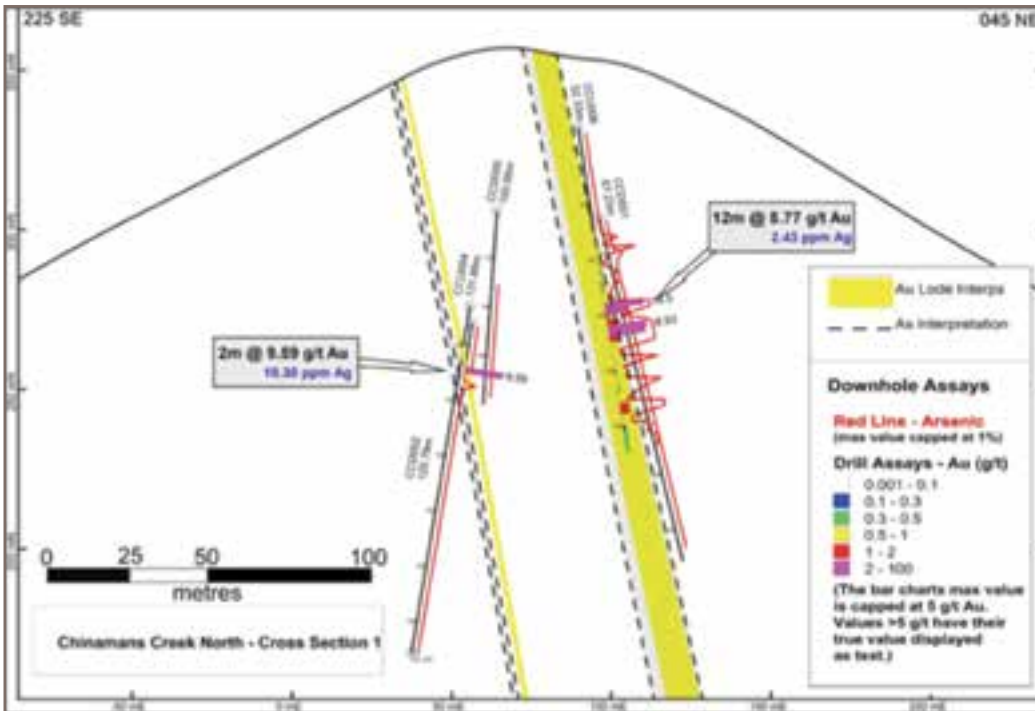


Figure 25: Chinamans Creek North section displaying interpreted Au and As lodes through the SW lode (Caledonian Reef) and Middle lode

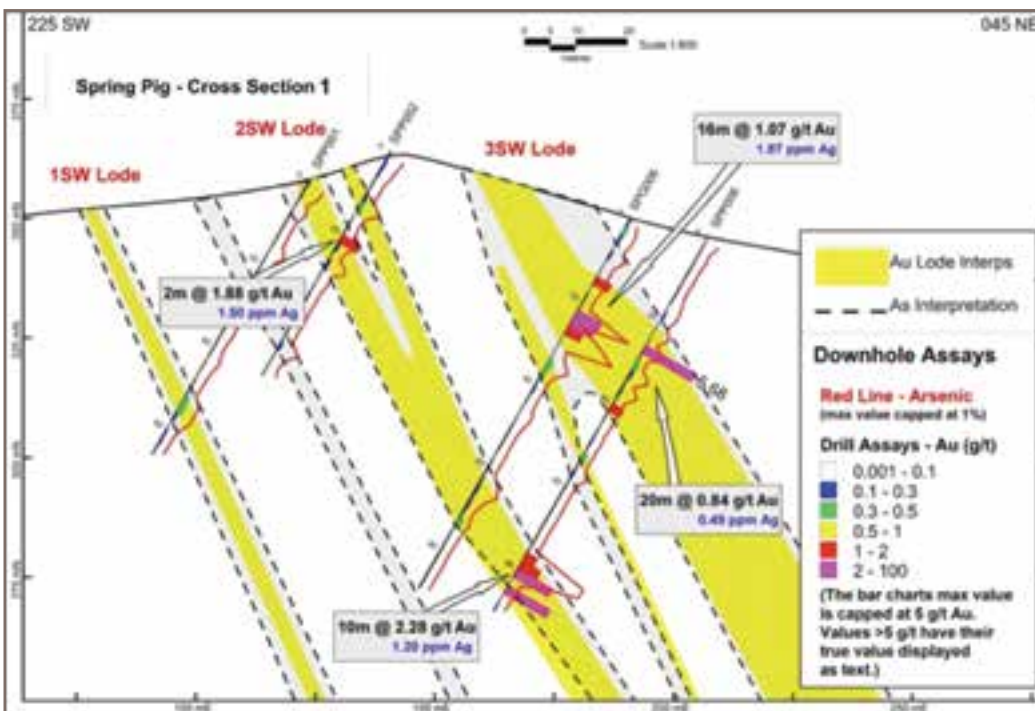


Figure 26: Spring Pig cross section, displaying interpreted Au and As lodes.

# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

#### Normanby project (100% SolGold)

<b>Location:</b>	120 km north-west of Mackay, Queensland, Australia
<b>Ownership:</b>	100% owned
<b>Tenement Area:</b>	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).
<b>Primary Target:</b>	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 40 km to the northwest of Normanby.

SolGold's exploration to date has 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 m in length. The most significant intersections were at the Mt Flat Top prospect and included an intersection of 42 m grading 1.16 g/t gold and 34 m 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 2015 at Normanby as SolGold is seeking expressions of interest to joint venture the Normanby project.

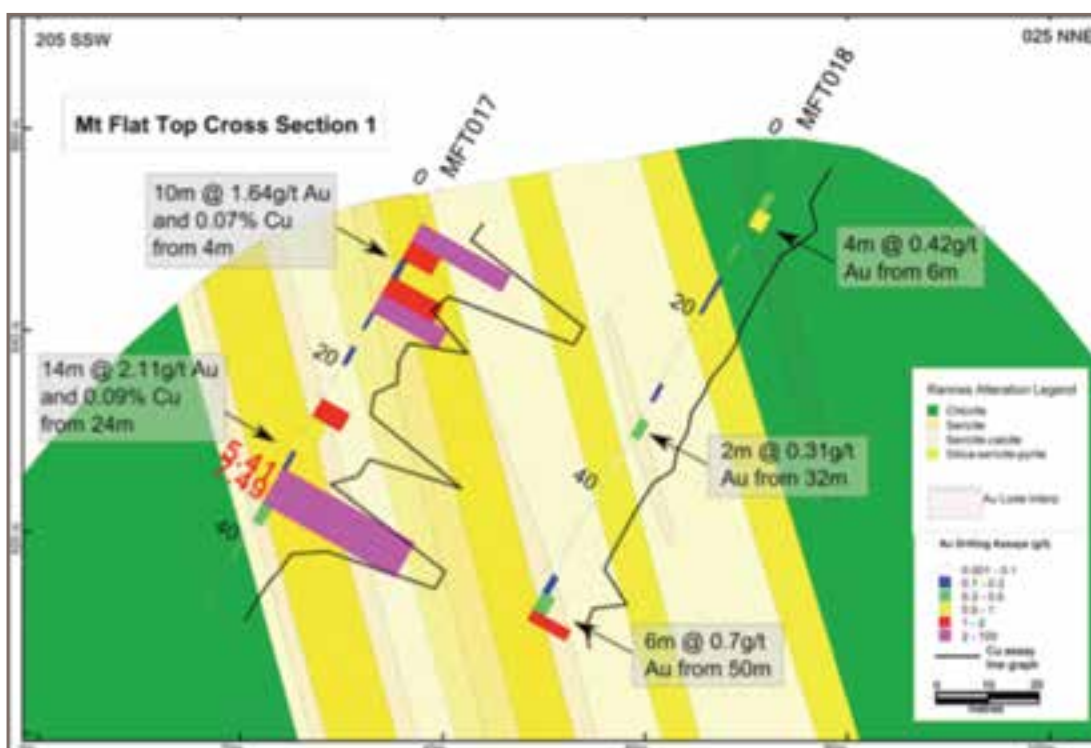


Figure 27: Mt Flat Top cross-section, displaying Au (colour histograms) and Cu (black line) assay grades.

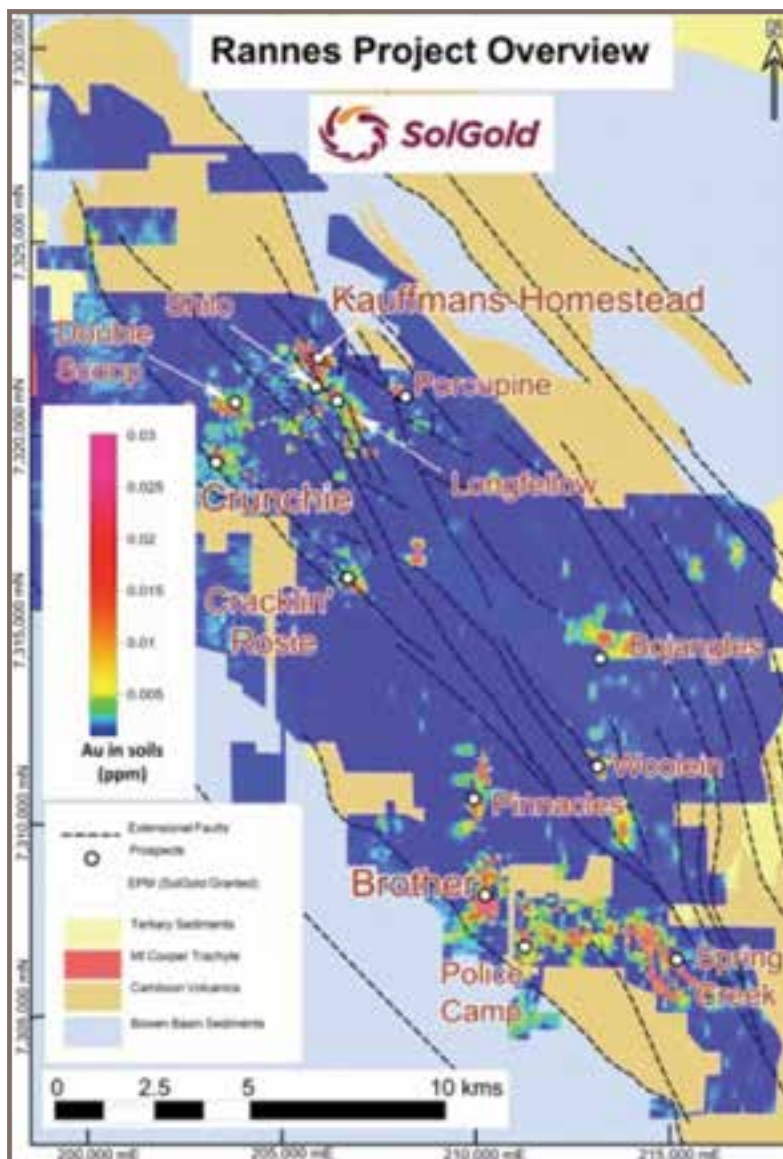
# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

#### Rannes project (100% SolGold)

<b>Location:</b>	140 km west of Gladstone, Queensland, Australia
<b>Ownership:</b>	100% owned
<b>Tenement Area:</b>	209 granted sub-blocks (circa 655 km <sup>2</sup> ) and 203 application sub-blocks (circa 651.5 km <sup>2</sup> ) which are primarily consolidation areas).
<b>Primary Target:</b>	Disseminated and vein gold and silver deposits



**Figure 28:** 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.

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 has included tenement wide stream sediment, soil and rock chip sampling surveys. A detailed airborne magnetic survey was recently re-interpreted to enhance the development of the structural model of the belt. 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.



# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

A total of 473 holes have been drilled at the Rannes project for a total of 58,887 m. Most of this drilling has occurred at 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. The geometry and nature of the Kauffmans and Crunchie systems are well understood (Figures 29 and 30).

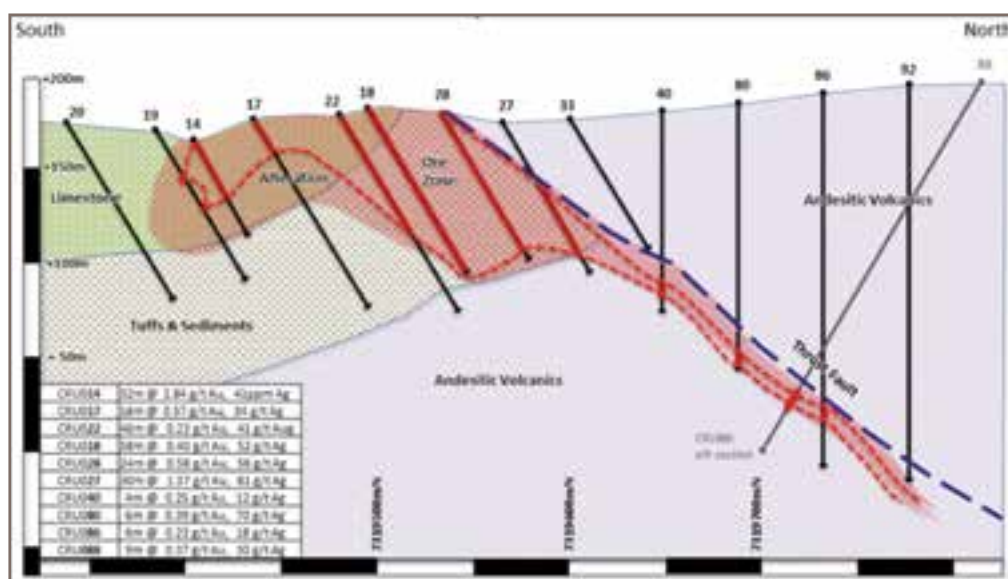


Figure 29: Cross section trending north-south through the Crunchie Ag-Au deposit, showing drill hole results.

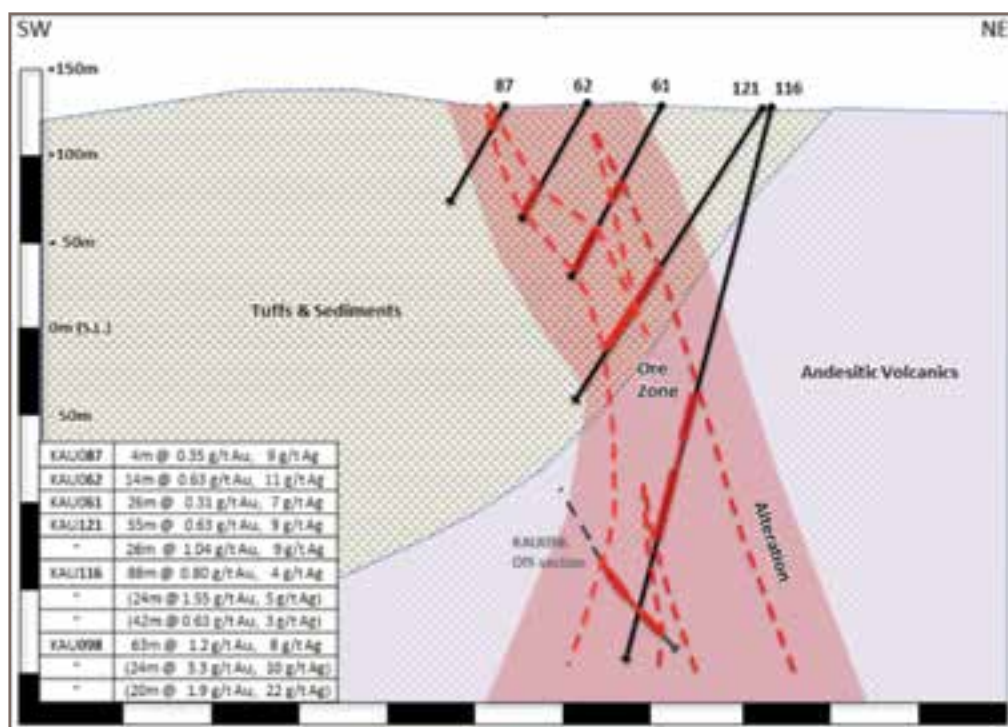


Figure 30: Cross section trending southwest-northeast through the Kauffmans Au-Ag deposit, showing geology and alteration over the ore zone with key drill hole results.

# STRATEGIC REPORT

## OPERATIONS REPORT

### QUEENSLAND – AUSTRALIA *Continued*

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. 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 4 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.

Project	CUT OFF (Au.Eq)	Resource category	M.Tonnes	Au (g/t)	Ag (g/t)	Ounces (Au)	Ounces (Ag)	Ounces (Au.Eq)
Kauffmans	0.5	Indicated	1.58	0.79	10.30	40,304	522074	50729
		Inferred	3.49	0.74	8.90	83,060	999278	103092
Crunchie	1.5	Indicated	2.40	0.46	42.40	35,833	3310000	102100
		Inferred	3.20	0.49	39.80	49,797	4040000	130676
Cracklin'	0.5	Inferred	0.43	0.59	5.60	8,023	76145	9544
Porcupine	0.5	Inferred	0.57	0.50	7.50	9,202	137085	11941
Brother	0.5	Inferred	0.57	0.60	1.10	11,021	204,90	11434
<b>TOTAL (All Prospects)</b>			<b>12.24</b>	<b>0.63</b>	<b>23.18</b>	<b>237,240</b>	<b>9105072</b>	<b>419516</b>

**Table 4:** 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. SolGold welcomes expressions of interest from potential JV partners to continue exploration at Rannes.

# STRATEGIC REPORT

## OPERATIONS REPORT

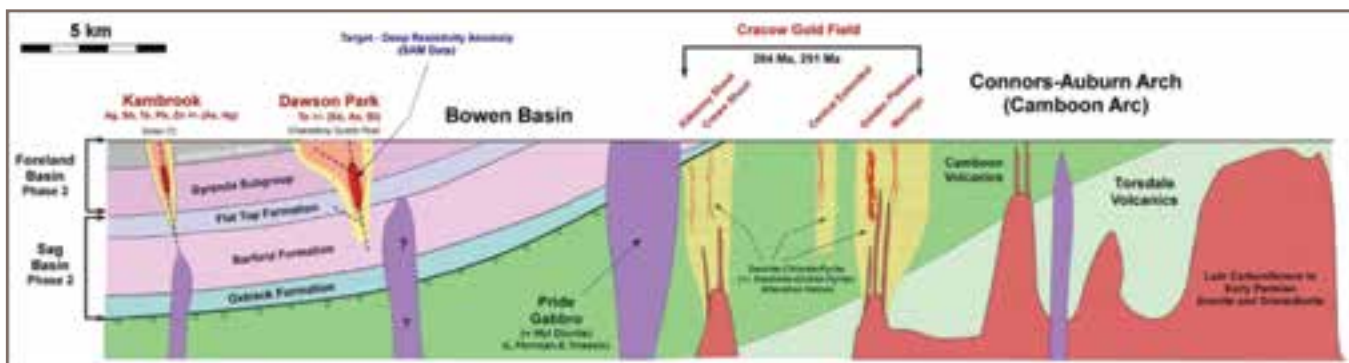
### QUEENSLAND – AUSTRALIA *Continued*

#### Cracow West project (100% SolGold)

<b>Location:</b>	260 km west-north-west of Gympie, Queensland, Australia
<b>Ownership:</b>	100% owned
<b>Tenement Area:</b>	47 granted sub-blocks (circa 146 km <sup>2</sup> ) and 30 application sub-blocks (circa 93.16 km <sup>2</sup> )
<b>Primary Target:</b>	Low-sulphidation epithermal Au-Ag deposits

Cracow West is located 15 km 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 31:** 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.

#### Qualified Person:

Information in this report relating to the exploration results is based on data reviewed by Mr Nicholas Mather (B.Sc. Hons Geol.), the Chief Executive Officer of the Company. Mr Mather is a Fellow 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. Mr Mather consents to the inclusion of the information in the form and context in which it appears.



# STRATEGIC REPORT

## INTERESTS IN TENEMENTS

EPM	EPM name	Principal holder	Project	Expiry
<b>Queensland</b>				
25245	Mount Perry Consolidated	Acapulco Mining Pty Ltd	Mt Perry	21/Jan/18
17354	Clarke Range	Acapulco Mining Pty Ltd	Normanby	27/Feb/16
19410	Normanby Consolidated	Acapulco Mining Pty Ltd	Normanby	16/Jun/17
16420	Dee Valley	Central Minerals Pty Ltd	Rannes	20/Sep/16
18760	Westwood	Central Minerals Pty Ltd	Rannes	22/Jan/17
19243	Lonesome	Central Minerals Pty Ltd	Rannes	22/Jan/17
19639	Goovigen Consolidated	Central Minerals Pty Ltd	Rannes	19/Oct/17
25300	Cooper Consolidated	Central Minerals Pty Ltd	Rannes	04/Mar/18
18032	Cracow West	Central Minerals Pty Ltd	Cracow West	11/Oct/16
18035	Tim Shay	Central Minerals Pty Ltd	Cracow West	03/Nov/15
<b>Ecuador</b>				
402288	Cascabel	Exploraciones Novomining S.A.	Cascabel	26/Apr/35
601147	La Encrucijada	Exploraciones Novomining S.A.	La Encrucijada	19/May/35
601256	La Encrucijada 1	Exploraciones Novomining S.A.	La Encrucijada	19/May/35
601168	Alumbre	Exploraciones Novomining S.A.	La Encrucijada	19/May/35

# STRATEGIC REPORT

## 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, and 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.

# STRATEGIC REPORT

## RISKS AND UNCERTAINTIES

### 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 earned 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 of the ordinary shares and the Company's asset and liability values 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.



# STRATEGIC REPORT

## RISKS AND UNCERTAINTIES

### 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 the 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

# STRATEGIC REPORT

## RISKS AND UNCERTAINTIES

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.

### 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.

# STRATEGIC REPORT

## RISKS AND UNCERTAINTIES

### *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 2015. These included:

- Drilling of five 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.
- Second drill rig mobilised to the Cascabel project to test additional targets at Alpala.
- The completion of successful raisings totalling approximately \$6.23 million during the year from institutional and professional investors.

### RESULTS

The Group incurred a loss before tax of \$4,238,216 for the year (2014: \$4,831,343), inclusive of the decision to expense \$1,175,172 (2014: \$2,246,491) for exploration expenditure associated with tenements that were surrendered or which had expired during the year. A detailed assessment of the carrying values of deferred exploration costs is provided in Note 24.

### STATEMENT OF FINANCIAL POSITION

As at 30 June 2015, the Group had net assets of approximately \$30.4 million, an increase of approximately \$0.8 million over the previous financial year. This increase was largely associated with the completion of \$5.9 million in share placements and the open offer, net of costs, offset by the decrease in the value of available for sale financial assets of \$2 million and the exploration write off of \$1.2 million recognised in respect of the Groups' exploration assets and annual operating expenses of approximately \$3.1 million.

### CASH FLOW

Our cash expenditure for the year was approximately \$11.1 million. Cash of approximately \$6.9 million was received from the issue of shares. Accordingly, the net cash outflow of the Company for the year was approximately \$4.2 million.

Cash of approximately \$8.5 million was invested by the Group on exploration expenditure during the year.

### CLOSING CASH

As at 30 June 2015, the Group held cash balances of \$0.32 million (2014: \$4.55 million).

### POST REPORTING DATE EVENT

On 2 October 2015, the Company executed Convertible Note Deeds with substantial shareholders, DGR Global Limited and Tenstar Trading Limited for a total funding of \$2,332,000.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2 million in a combination of cash and debt conversions 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.

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 2016 will focus on Cascabel along with finding joint venture partners for the Group's, Rannes, Normanby, and Mt Perry projects. Discussions on the future exploration programs at each of the projects are detailed in the Operations 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.



# STRATEGIC REPORT

## 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 acts 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 8 July 2014, the Company issued 4,360,000 options to its Board of 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.

On 19 December 2014, the Company issued an additional 33,591,828 shares at £0.03 to raise \$1.9 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 9 April 2015, the Company issued an additional 74,708,041 shares at £0.03 to raise \$4.3 million pursuant to an open offer to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2 million in a combination of cash and debt conversions 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.

**At year end the Company had a total of 760,453,071 shares and 21,380,000 options on issue. As at the date of this report, the Company had a total of 822,716,605 shares and 21,380,000 options on issue.**

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



**Nicholas Mather**

*Executive Director*  
8 December 2015

# GOVERNANCE

## DIRECTORS AND COMPANY SECRETARY

The Board consists of one Executive Director and three Non-Executive Directors.

### **Nicholas Mather**

*(Executive Director)*

Nicholas Mather (58), 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-quotations on the ASX in 2003.

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

### **Brian Moller**

*(Non-Executive Chairman)*

Brian Moller (56), 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.

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, Aguiá Resources Limited and Platina Resources Limited, and the non-executive Chairman of ASX-listed Aus Tin Mining Limited.

### **Dr Robert Weinberg**

*(Non-Executive Director)*

Rob Weinberg (68), appointed 22 November 2005, gained his doctorate in geology from Oxford University in 1973. He has more than 40 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.

# GOVERNANCE

## DIRECTORS AND COMPANY SECRETARY

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.

### **John Bovard**

*(Non-Executive Director)*

John Bovard (68), 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 Bachelor's 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.

Mr Bovard is currently the Non-Executive Chairman of the ASX-listed Aus Tin Mining Ltd. Other roles within the past five years have included Non-Executive Chairman of Orbis Gold Limited (resigned 17 February 2015), Non-Executive Director of Australian Pacific Coal Limited (resigned 29 November 2012), 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.

## COMPANY SECRETARY

### **Karl Schlobohm**

*(Company Secretary)*

Karl Schlobohm (46) has over twenty 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 Master's Degree in Taxation.

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

# GOVERNANCE

## DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2015.

### 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.

### 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 have 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 \$4,238,661 (2014: \$4,831,216).

### CHANGES IN SHARE CAPITAL DURING 2015

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 (2014: 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 20 to the financial statements.



# GOVERNANCE

## DIRECTORS' REPORT

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

<b>Alan Martin</b>	CEO & Managing Director (resigned as CEO and Managing Director 17 May 2015)
<b>Nicholas Mather</b>	Executive Director
<b>Brian Moller</b>	Non-Executive Chairman
<b>Robert Weinberg</b>	Non-Executive Director
<b>John Bovard</b>	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 2015	At 30 June 2014
Nicholas Mather	85,519,570	65,519,569
Brian Moller	3,086,942	2,393,972
Robert Weinberg	3,118,484	2,304,971
John Bovard	3,858,812	3,307,553

There were 4,360,000 options issued to Directors during the year (2014: 16,000,000).

Share options held	At 30 June 2015	At 30 June 2014	Option price	Exercise period
Nicholas Mather	1,500,000	3,000,000	14p-28p	08/07/15 -08/07/17
Brian Moller	1,100,000	-	14p-28p	08/07/15 -08/07/17
Robert Weinberg	880,000	-	14p-28p	08/07/15 -08/07/17
John Bovard	880,000	-	14p-28p	08/07/15 -08/07/17

### 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 one Executive Director and three Non-executive Directors. Nicholas Mather is an Executive Director. 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.

# GOVERNANCE

## DIRECTORS' REPORT

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 the 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. On 8 July 2014, 4,360,000 options were issued or just under 0.57% of the current issued share capital, and in the opinion of the executive Director this 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, the annual report and accounts, the interim statement and its website.

The 2015 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 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 the Executive Director 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.

### RELATED PARTY TRANSACTIONS

Details of related party transactions for the Group and Company are given in note 22. 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.

# GOVERNANCE

## DIRECTORS' REPORT

### AUDITOR

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

### SUBSEQUENT EVENTS

On 2 October 2015, the Company executed Convertible Note Deeds with substantial shareholders, DGR Global Limited and Tenstar Trading Limited for a total funding of \$2,332,000.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2.39 million in a combination of cash and debt conversions 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.

The Directors are not aware of any other significant changes in the state of affairs of the Company after the reporting 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.

# GOVERNANCE

## DIRECTORS' REPORT

### 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 8 December 2015 and signed on its behalf.



**Karl Schlobohm**

*Company Secretary*

*Lvl 27, 111 Eagle St  
Brisbane QLD 4000  
Australia*



# INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SOLGOLD PLC

We have audited the financial statements of SolGold PLC for the year ended 30 June 2015 which comprise the group statement of financial position and company statement of financial position, the group statement of comprehensive income, the group statement of cash flows, the group statement of changes in equity and the company statement of changes in equity 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 2015 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 acknowledge that additional funds need to be raised either through other finance arrangements or capital raisings. 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.

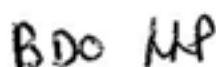
### **Opinion on other matters prescribed by the Companies Act 2006**

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.



**Anne Sayers** (senior statutory auditor)

For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
8 December 2015

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Notes	Group 2015 \$	Group 2014 \$
Revenue		-	-
Cost of sales		-	-
<b>Gross profit</b>		-	-
Other income		-	50,504
<b>Expenses</b>			
Exploration costs written-off	12	(1,175,172)	(2,246,491)
Administrative		(3,066,982)	(2,652,356)
<b>Operating loss</b>		<b>(4,242,154)</b>	<b>(4,848,343)</b>
Finance income	6	10,570	18,185
Finance costs	6	(7,077)	(1,058)
<b>Loss before tax</b>	3	<b>(4,238,661)</b>	<b>(4,831,216)</b>
Tax expense	7	-	-
<b>Loss for the year</b>		<b>(4,238,661)</b>	<b>(4,831,216)</b>
<b>Other comprehensive income</b>			
Items that may be reclassified into profit or loss			
Change in fair value of available-for-sale financial assets	10b	(2,045,919)	1,703,620
Exchange differences on translation of foreign operations		1,159,075	72,158
<b>Total comprehensive income for the year</b>		<b>(5,125,505)</b>	<b>(3,055,438)</b>
<b>Loss for the year attributable to:</b>			
Owners of the parent company		(4,197,335)	(4,831,216)
Non-controlling interest		(41,326)	-
		<b>(4,238,661)</b>	<b>(4,831,216)</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the parent company		(5,258,040)	(3,055,438)
Non-controlling interest		132,535	-
		<b>(5,125,505)</b>	<b>(3,055,438)</b>
<b>Loss per share</b>		<b>Cents per share</b>	<b>Cents per share</b>
Basic loss per share	8	(0.6)	(0.8)
Diluted loss per share	8	(0.6)	(0.8)

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 2015

	Notes	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
<b>Assets</b>					
Property, plant and equipment	11	419,898	133,742	11,118	16,801
Intangible assets	12	30,748,723	21,451,449	-	640,855
Investment in subsidiaries	9	-	-	30,379,601	21,941,839
Investment in available for sale securities	10(b)	896,197	2,942,116	894,192	2,942,116
Loans receivable and other non-current assets	13	159,433	169,353	7,169	7,169
<b>Total non-current assets</b>		<b>32,224,251</b>	<b>24,696,660</b>	<b>31,292,080</b>	<b>25,548,780</b>
Other receivables and prepayments	15	151,295	1,112,340	136,872	1,015,123
Cash and cash equivalents	16	321,440	4,547,229	215,312	4,159,071
<b>Total current assets</b>		<b>472,735</b>	<b>5,659,569</b>	<b>352,184</b>	<b>5,174,194</b>
<b>Total assets</b>		<b>32,696,986</b>	<b>30,356,229</b>	<b>31,644,264</b>	<b>30,722,974</b>
<b>Equity</b>					
Share capital	17	13,184,721	11,106,524	13,184,721	11,106,524
Share premium	17	82,212,310	78,434,985	82,212,310	78,434,985
Other reserves		1,761,936	2,763,046	772,428	2,758,752
Accumulated loss		(67,023,534)	(62,826,199)	(65,874,946)	(62,005,995)
Non-controlling interest		223,107	90,572	-	-
<b>Total equity</b>		<b>30,358,540</b>	<b>29,568,928</b>	<b>30,294,513</b>	<b>30,294,266</b>
<b>Liabilities</b>					
Trade and other payables	18	2,338,446	787,301	1,349,751	428,708
<b>Total current liabilities</b>		<b>2,338,446</b>	<b>787,301</b>	<b>1,349,751</b>	<b>428,708</b>
<b>Total liabilities</b>		<b>2,338,446</b>	<b>787,301</b>	<b>1,349,751</b>	<b>428,708</b>
<b>Total equity and liabilities</b>		<b>32,696,986</b>	<b>30,356,229</b>	<b>31,644,264</b>	<b>30,722,974</b>

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

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 8 December 2015.



**Nicholas Mather**

Director

# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Notes	Share capital	Share premium	Available-for-sale financial assets reserve	Share option reserve	Foreign currency translation reserve	Change in proportionate interest reserve	Accumulated loss	Non-controlling interests	Total
		\$	\$	\$	\$	\$		\$	\$	\$
<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
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 share 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
Loss for the year		-	-	-	-	-	-	(4,197,335)	(41,326)	(4,238,661)
Other comprehensive income		-	-	(2,045,919)	-	985,214	-	-	173,861	(886,844)
<b>Total comprehensive income for the year</b>		-	-	(2,045,919)	-	985,214	-	(4,197,335)	132,535	(5,125,505)
New share capital subscribed		2,078,197	4,156,344	-	-	-	-	-	-	6,234,541
Share issue costs		-	(379,019)	-	-	-	-	-	-	(379,019)
Value of share and options issued to Directors, employees and consultants		-	-	-	59,595	-	-	-	-	59,595
<b>Balance at 30 June 2015</b>		13,184,721	82,212,310	(331,909)	1,104,337	1,057,372	(67,864)	(67,023,534)	223,107	30,358,540

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



# CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2015 *Continued*

	Notes	Share capital	Share premium	Available-for-sale financial assets	Share option reserve	Accumulated loss	Total
		\$	\$	\$	\$	\$	\$
<b>Balance at 30 June 2013</b>	17	<b>9,361,755</b>	<b>66,418,526</b>	<b>10,390</b>	<b>3,222,873</b>	<b>(59,610,996)</b>	<b>19,402,548</b>
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>		<b>-</b>	<b>-</b>	<b>1,703,620</b>	<b>-</b>	<b>(4,609,119)</b>	<b>(2,905,499)</b>
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	<b>11,106,524</b>	<b>78,434,985</b>	<b>1,714,010</b>	<b>1,044,742</b>	<b>(62,005,995)</b>	<b>30,294,266</b>
Loss for the year		-	-	-	-	(3,868,951)	(3,868,951)
Other comprehensive income		-	-	(2,045,919)	-	-	(2,045,919)
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>(2,045,919)</b>	<b>-</b>	<b>(3,868,951)</b>	<b>(5,914,870)</b>
New share capital subscribed		2,078,197	4,156,344	-	-	-	6,234,541
Share issue costs		-	(379,019)	-	-	-	(379,019)
Value of shares and options issued to Directors, employees and consultants		-	-	-	59,595	-	59,595
<b>Balance at 30 June 2015</b>		<b>13,184,721</b>	<b>82,212,310</b>	<b>(331,909)</b>	<b>1,104,337</b>	<b>(65,874,946)</b>	<b>30,294,513</b>

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 2015

	Notes	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
<b>Cash flows from operating activities</b>					
Operating loss		(4,242,154)	(4,848,343)	(3,871,748)	(4,625,649)
Depreciation		18,378	35,025	9,573	10,254
Share based payment expense		59,595	191,264	59,595	191,264
Write-off of exploration expenditure		1,175,172	2,246,491	674,815	-
(Profit) loss on sale of property, plant and equipment		(888)	(50,504)	-	-
Impairment of investments in subsidiaries		-	-	349,581	2,045,216
(Increase) decrease in other receivables and prepayments		961,045	(801,252)	878,250	(742,377)
Increase (decrease) in trade and other payables		80,792	803,470	(284,748)	741,150
<b>Net cash outflow from operating activities</b>		<b>(1,948,060)</b>	<b>(2,423,849)</b>	<b>(2,184,682)</b>	<b>(2,380,142)</b>
<b>Cash flows from investing activities</b>					
Interest received		10,570	18,185	9,873	16,531
Interest paid		(7,077)	(1,058)	(7,076)	(1,052)
Security deposit (payments)/refunds		4,346	(4,622)	-	(1,600)
Acquisition of property, plant and equipment		(439,333)	(102,575)	(3,890)	(4,355)
Proceeds from the sale of property, plant and equipment		134,801	157,863	-	-
Acquisition of exploration and evaluation assets		(8,485,005)	(5,825,393)	(19,496)	(398,347)
Acquisition of subsidiaries (net of cash)	23	-	13,901	-	-
Investment in available for sale securities		-	(779,982)	-	(779,982)
Investment in associates		-	-	-	-
Loans advanced to third parties		-	-	-	-
Loans advanced to subsidiaries		-	-	(8,242,457)	(5,756,661)
<b>Net cash outflow from investing activities</b>		<b>(8,781,698)</b>	<b>(6,523,681)</b>	<b>(8,263,046)</b>	<b>(6,925,466)</b>
<b>Cash flows from financing activities</b>					
Proceeds from the issue of ordinary share capital		6,877,414	13,360,770	6,877,414	13,360,770
Payment of issue costs		(373,445)	(722,859)	(373,445)	(722,859)
Repayment of borrowings		-	(23,576)	-	-
<b>Net cash inflow from financing activities</b>		<b>6,503,969</b>	<b>12,614,335</b>	<b>6,503,969</b>	<b>12,637,911</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(4,225,789)</b>	<b>3,666,805</b>	<b>(3,943,759)</b>	<b>3,332,303</b>
Cash and cash equivalents at the beginning of year		4,547,229	880,424	4,159,071	826,768
<b>Cash and cash equivalents at end of year</b>	<b>16</b>	<b>321,440</b>	<b>4,547,229</b>	<b>215,312</b>	<b>4,159,071</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## 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 and going concern

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 from incorporation has prepared the 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 working capital deficit position of \$1,865,711, compared with a net current asset position in 2014 of \$4,872,268. 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.

Subsequent to the end of the year, the Company has continued its drilling operations at its Cascabel project and has incurred approximately \$1.2 million in exploration and evaluation expenditure to 31 October 2015. In order to fund this exploration and evaluation expenditure along with the net current asset deficit, the Company raised \$2.33 million through the execution of convertible note deeds and a further \$2.39 million through the issue of 62,263,534 shares at £0.015 which was a combination of cash and debt conversions.

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 other finance arrangements 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.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

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.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries

to bring the accounting policies 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 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.

### (iii) *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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

### (d) Foreign currency

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 the 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.

The Company's functional and presentation currency is Australian dollars (A\$). The exchange rates applied in preparation of these financial statements at 30 June 2015 were £0.4872/A\$1.0, US\$0.76575/A\$1.0 and SBD\$6.0205/A\$1.0 (30 June 2014: £0.5544/A\$1.0, US\$0.9439/A\$1.0 and SBD\$6.9001/A\$1.0). The average exchange rates applied for the year ended 30 June 2015 was US\$0.84034/A\$1.0 (2014: US\$0.9143/A\$1.0).

### (e) Property, plant and equipment

#### (i) Owned assets

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

#### (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 years
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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

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:

- The period for which the entity has the right to explore in the specific area has expired during

the period or will expire in the near future, and is not expected to be renewed;

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

### **(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 19.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

### (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 reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

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.

### **(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.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

### (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.

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.

#### **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 counter-party'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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

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 \$3,868,951 (2014: \$4,609,119).

#### **(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.

#### **(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) 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.

#### **(iv) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 1: ACCOUNTING POLICIES *Continued*

### (y) *Changes in accounting policies*

The Group has applied all of the new standards and amendments applicable for the annual reporting period commencing 1 July 2014:

#### **Standards and interpretations effective and adopted in the current year**

The following standards, interpretations and amendments became effective during the year and were adopted by the Group and Company. These have no material effect on the Group or Company.

Standards	Details of amendment	Annual periods beginning on or after
IFRS 10 Consolidated Financial Statements	IFRS 10 introduces a single control model to determine whether an investee should be consolidated. The IFRS supersedes IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation—Special Purpose Entities.	1 January 2014
IFRS 11 Joint Arrangements	The IFRS supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-Monetary Contributions by Venturers. Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the major factor in determining the type of joint arrangement and therefore the subsequent accounting	1 January 2014
IFRS 12 Disclosure of Interests in Other Entities	IFRS 12 Disclosure of Interests in Other Entities applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires the disclosure of information about the nature, risks and financial effects of these interests.	1 January 2014
IAS 27 Separate Financial Statements	IAS 27 (2011) supersedes IAS 27 (2008). IAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. IFRS 10 Consolidated Financial Statements addresses the principle of control and the requirements relating to the preparation of consolidated financial statements.	1 January 2014
IAS 28 Investments in Associates and Joint Ventures	IAS 28 (2011) supersedes IAS 28 (2008) and carries forward the existing accounting and disclosure requirements with limited amendments. On cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or vice versa, the company does not re-measure the retained interest.	1 January 2014
IAS 32 Offsetting Financial Assets and Financial liabilities	The amendments clarify when an entity can offset financial assets and financial liabilities.	1 January 2014
IAS 36 Recoverable Amounts (amendments)	The amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash-generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognised or reversed.	1 January 2014
Annual improvements to IFRS 1 (2010 -2012 and 2011 – 2013 cycles)	Clarifications as provided on various standards within the cycles have been considered in preparation of the current year financial statements.	1 July 2014
IFRIC 21 Levies	IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37 Provisions, Contingent Liabilities and Assets for the entity that is paying the levy.	1 January 2014

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30 June 2015*

## **NOTE 1: ACCOUNTING POLICIES** *Continued*

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 2015. 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.

- IFRS 9 'Financial Instruments'; and
- IFRS 15 'Revenue from contracts with customers'.

The directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## 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 discreetly, together with an aggregated Group total. Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below. The financial information of the subsidiaries that do not exceed the thresholds outlined above, and is therefore not reported separately, is aggregated as Other Subsidiaries.

30 June 2015	Finance income \$	Total income \$	Loss for the year \$	Assets \$	Liabilities \$	Share based payments \$	Depreciation \$
SolGold	9,873	9,873	(3,868,951)	31,993,846	1,349,750	59,595	9,573
ARM	186	186	(389,634)	320,139	32,904,421	-	2,455
Central Minerals	10	10	12,077	3,670,423	13,186,119	-	1,166
Acapulco Mining	500	500	(130,957)	5,812,595	3,767,823	-	5,185
Solomon Operations	-	-	71,510	4	9,948	-	-
Honiara Holdings	-	-	(2,337)	-	957,562	-	-
Guadalcanal Exploration	-	-	(4,442)	2,338	1,217,372	-	-
ENSA	-	-	(275,500)	15,975,498	10,431,634	-	-
Consolidation / Elimination	-	-	349,573	(25,077,858)	(61,486,183)	-	-
<b>Total</b>	<b>10,570</b>	<b>10,570</b>	<b>(4,238,661)</b>	<b>32,696,985</b>	<b>2,338,446</b>	<b>59,595</b>	<b>18,378</b>

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	-	-
Consolidation / Elimination	803	803	(2,215)	3,536,328	2,751,652	-	4,261
<b>Total</b>	<b>-</b>	<b>-</b>	<b>2,044,846</b>	<b>(14,048,601)</b>	<b>(54,332,547)</b>	<b>-</b>	<b>-</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>

## Geographical information

Non-current assets	2015 \$	2014 \$
UK	-	-
Australia	16,318,251	18,170,684
Solomon Islands	-	506,145
Ecuador	15,905,748	6,019,831

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 3: LOSS BEFORE TAX

	Group 2015 \$	Group 2014 \$
Loss is stated after charging (crediting)		
Auditors' remuneration:		
<i>Amounts received or due and receivable by BDO (UK) for:</i>		
The audit of the company's annual accounts	36,900	30,325
<i>Amounts received or due and receivable by related practices of BDO (UK) for:</i>		
The audit of the company's annual accounts	34,910	24,675
Depreciation	18,378	35,025
Foreign exchange (gains)/losses	(122,623)	29,764
Share based payments	59,595	191,264

## NOTE 4: STAFF NUMBERS AND COSTS

	Group 2015	Group 2014	Company 2015	Company 2014
Corporate finance and administration	11	10	7	7
Technical	100	120	2	4
	111	130	9	11

The aggregate payroll costs of these persons were as follows:

	Group 2015	Group 2014	Company 2015	Company 2014
Wages and salaries	2,763,284	1,767,688	765,229	1,166,680
Contributions to superannuation	215,228	173,094	58,171	62,804
Share based payments	17,534	191,264	17,534	191,264
<b>Total staff costs</b>	<b>2,996,046</b>	<b>2,132,046</b>	<b>840,934</b>	<b>1,420,748</b>

Included within total staff costs is \$1,977,592 (2014: \$1,442,712) which has been capitalised as part of deferred exploration costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 5: REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic annual salary	Other benefits <sup>1</sup>	Pensions	Total remuneration
	\$	\$	\$	\$
<b>2015</b>				
<b>Directors</b>				
Alan Martin	444,849 <sup>1</sup>	-	28,011	472,860
Nicholas Mather	150,000	18,423	-	168,423
Brian Moller	50,000	13,526	-	63,526
Robert Weinberg	50,000	10,542	-	60,542
John Bovard	50,000	10,542	-	60,542
<b>Staff and contractors</b>	<b>2,318,435</b>	<b>-</b>	<b>157,057</b>	<b>2,475,492</b>
<b>TOTAL</b>	<b>3,063,284</b>	<b>53,033</b>	<b>185,068</b>	<b>3,301,385</b>

<sup>1</sup>Includes the following payments: Termination payment - \$150,000, annual leave payout - \$2,228, bonus - \$50,000, superannuation - \$27,274

	Basic annual salary	Other benefits <sup>1</sup>	Pensions	Total remuneration
	\$	\$	\$	\$
<b>2014</b>				
<b>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>

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

During the year no directors exercised options granted under the employee share option plan (2014: nil).

During the year, employer's social security costs of \$28,011 (2014: \$25,778) were paid in respect of remuneration for key management personnel. Alan Martin (CEO and Managing Director - resigned 17 May 2015) and Nicholas Mather (Executive Director) are considered to be key management personnel.

## NOTE 6: FINANCE INCOME AND COSTS

	Group 2015	Group 2014
	\$	\$
Interest income	10,570	18,185
<b>Finance income</b>	<b>10,570</b>	<b>18,185</b>
Interest cost	(7,077)	(1,058)
<b>Finance costs</b>	<b>(7,077)</b>	<b>(1,058)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## 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% (2014: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	Group 2015 \$	Group 2014 \$
<b>Tax reconciliation</b>		
Loss before tax	(4,238,661)	(4,831,216)
Tax at 30% (2014: 30%)	(1,271,598)	(1,449,365)
<b>Effects at 30% (2014: 30%) of:</b>		
Short term temporary differences	179,781	437,746
Non-deductible expenses	135,986	70,371
Tax losses carried forward	955,831	941,248
<b>Tax on loss</b>	-	-

### Factors that may affect future tax charges

The Group has carried forward tax losses of approximately \$45 million (2014: \$42 million). These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group company of various tax integrity measures applicable in the jurisdiction where the tax loss has been incurred. The jurisdictions in which tax losses have been incurred include Australia, Ecuador and the Solomon Islands.

## NOTE 8: LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of \$4,238,661 (2014: \$4,831,216) and the weighted average number of ordinary shares outstanding of 686,978,658 (2014: 605,395,853).

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 2015 there were 21,380,000 share options on issue (2014: 33,920,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 9: INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	SolGold plc's effective interest	
			2015	2014
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%	85%

	Investment in subsidiary undertakings		
	Shares \$	Loans \$	Total \$
<b>Cost</b>			
<b>Balance at 30 June 2013</b>	<b>11,135,657</b>	<b>51,188,061</b>	<b>62,323,718</b>
Acquisitions and advances in the year	2,869,222	5,756,660	8,625,882
<b>Balance at 30 June 2014</b>	<b>14,004,879</b>	<b>56,944,721</b>	<b>70,949,600</b>
Acquisitions and advances in the year	-	8,787,343	8,787,343
<b>Balance at 30 June 2015</b>	<b>14,004,879</b>	<b>65,732,064</b>	<b>79,736,943</b>
<b>Amortisation and impairment losses</b>			
<b>Balance at 30 June 2013</b>	<b>(5,016,948)</b>	<b>(41,945,593)</b>	<b>(46,962,541)</b>
Provision for impairment	-	(2,045,220)	(2,045,220)
<b>Balance at 30 June 2014</b>	<b>(5,016,948)</b>	<b>(43,990,813)</b>	<b>(49,007,761)</b>
Provision for impairment	-	-	-
<b>Balance at 30 June 2015</b>	<b>(5,016,948)</b>	<b>(43,990,813)</b>	<b>(49,007,761)</b>
<b>Carrying amounts</b>			
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
<b>Balance at 30 June 2015</b>	<b>8,987,931</b>	<b>21,741,251</b>	<b>30,729,182</b>

The write-down of the deferred exploration costs during the prior year 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:

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 9: INVESTMENTS IN SUBSIDIARY UNDERTAKINGS *Continued*

	Shares	Loans	Total
	\$	\$	\$
<b>Cost</b>			
<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>
Advances in the period to ARM Pty Ltd	-	194,967	194,967
Advances in the period to Acapulco Mining Pty Ltd	-	12,085	12,085
Repayments in the period from Central Minerals Pty Ltd	-	(18,389)	(18,389)
Advances during the period to Honiara Holdings Pty Ltd	-	1,048	1,048
Advances during the period to Guadalcanal Exploration Pty Ltd	-	1,863	1,863
Advances during the period to Exploraciones Novomining S.A.	-	8,595,769	8,595,769
<b>Total investment in subsidiaries by the Company at 30 June 2015</b>	<b>14,004,879</b>	<b>65,732,064</b>	<b>79,736,943</b>

## NOTE 10: INVESTMENTS

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

Name	Country of incorporation	Principal activity	Shares	Ownership interest		Carrying amount	
				2015	2014	2015	2014
				%	%	\$	\$
Exploraciones Novomining S.A.	Ecuador	Mineral Exploration	ORD	85%	85%	-	-
						-	-

Movements during the year in equity accounted investments	2015	2014
	\$	\$
Balance at beginning of year	-	2,769,647
Carrying value of investment on transfer of intangible assets	-	-
Fair value of investment on initial recognition	-	-
Share of associates profits after income tax	-	-
Carrying value of investment transferred to investments in subsidiaries	-	(2,769,647)
<b>Balance at end of year</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 10: INVESTMENTS *Continued*

On 26 August 2013, SolGold plc increased its interest in Exploraciones Novomining S.A. from 30% to 50% and subsequently to 85% 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).

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

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

	2015	2014
	\$	\$
<b>Movements in available for sale financial assets</b>		
Opening balance at 1 July	2,942,116	458,510
Additions	-	779,986
Fair Value adjustment through other comprehensive income	(2,045,919)	1,703,620
	<b>896,197</b>	<b>2,942,116</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>2015</b>				
Available for sale financial assets	896,197	-	-	896,197
<b>2014</b>				
Available for sale financial assets	2,942,116	-	-	2,942,116

The available for sale financial assets are measured based on the quoted market prices at 30 June.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Plant and equipment	Motor vehicles	Group Office equipment	Furniture & fittings	Total	Company
	\$	\$	\$	\$	\$	\$	\$
<b>Cost</b>							
<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>
Effect of foreign exchange on opening balance	-	12,047	5,624	8,618	3,556	29,845	-
Additions	-	119,708	294,470	28,139	20,474	462,791	3,890
Disposals	-	-	(134,802)	-	(2,338)	(137,140)	-
<b>Balance 30 June 2015</b>	<b>-</b>	<b>282,607</b>	<b>266,845</b>	<b>151,975</b>	<b>60,346</b>	<b>761,772</b>	<b>58,179</b>
<b>Depreciation and impairment losses</b>							
<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)	(25,077)	-
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>
Effect of foreign exchange on opening balance	-	(706)	(5,624)	(444)	(16)	(6,790)	-
Depreciation charge for the year	-	(6,696)	(5,082)	(4,686)	(1,697)	(18,161)	(9,573)
Depreciation capitalised to exploration	-	(28,940)	(29,854)	(22,140)	(4,093)	(85,026)	-
Disposals	-	-	40,541	-	97	40,639	-
<b>Balance 30 June 2015</b>	<b>-</b>	<b>(126,605)</b>	<b>(91,005)</b>	<b>(100,931)</b>	<b>(23,334)</b>	<b>(341,873)</b>	<b>(47,061)</b>
<b>Carrying amounts</b>							
At 30 June 2013	97,241	18,493	36,720	9,742	4,933	167,130	22,700
At 30 June 2014	-	60,589	10,567	41,557	21,029	133,742	16,801
<b>At 30 June 2015</b>	<b>-</b>	<b>156,002</b>	<b>175,840</b>	<b>51,044</b>	<b>37,012</b>	<b>419,898</b>	<b>11,118</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 12: INTANGIBLE ASSETS

	Deferred Group exploration costs \$	Deferred Company exploration costs \$
<b>Cost</b>		
<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	-
<b>Balance 30 June 2014</b>	<b>70,451,479</b>	<b>640,857</b>
Additions - expenditure	10,472,446	33,533
<b>Balance 30 June 2015</b>	<b>80,923,925</b>	<b>674,390</b>
<b>Impairment losses</b>		
<b>Balance 30 June 2013</b>	<b>(46,753,539)</b>	-
Impairment charge	(2,246,491)	-
<b>Balance 30 June 2014</b>	<b>(49,000,030)</b>	-
Impairment charge	(1,175,172)	(674,390)
<b>Balance 30 June 2015</b>	<b>(50,175,202)</b>	-
<b>Carrying amounts</b>		
At 30 June 2013	14,578,178	29,209
At 30 June 2014	21,451,449	640,857
<b>At 30 June 2015</b>	<b>30,748,723</b>	-

### Impairment loss

The Group did not consider it necessary to make a provision for impairment during the year (2014: \$2,177,290). A decision was made to expense \$1,175,172 (2014: \$69,201) 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 24.



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 13: LOAN RECEIVABLES AND OTHER NONCURRENT ASSETS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Security bonds	159,433	169,353	7,169	7,169
	<b>159,433</b>	<b>169,353</b>	<b>7,169</b>	<b>7,169</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 on cash backed bank guarantees held by the Ecuadorian Ministry of Environment against Ecuadorian exploration tenements held by the Group.

## NOTE 14: DEFERRED TAXATION

### Recognised deferred tax assets

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Deferred tax assets:				
Tax losses	3,753,665	3,773,166	-	-
Deferred tax liabilities:				
Temporary timing differences arising on intangible assets	(3,753,665)	(3,773,166)	-	-
Net deferred taxes	-	-	-	-

### 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 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Temporary differences	12,712,206	11,967,721	-	-
Tax losses	10,175,920	9,829,794	9,934,125	9,200,901
	<b>22,888,126</b>	<b>21,797,515</b>	<b>9,934,125</b>	<b>9,200,901</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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 15: OTHER RECEIVABLES AND PREPAYMENTS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Other receivables	151,295	1,099,840	136,873	1,002,623
Prepayments	-	12,500	-	12,500
	<b>151,295</b>	<b>1,112,340</b>	<b>136,873</b>	<b>1,015,123</b>

## NOTE 16: CASH AND CASH EQUIVALENTS

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
Cash at bank	321,440	4,547,229	215,312	4,159,071
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>321,440</b>	<b>4,547,229</b>	<b>215,312</b>	<b>4,159,071</b>

## NOTE 17: CAPITAL AND RESERVES

### (a) Authorised share capital

	2014 No. of shares	2014 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>

	2015 No. of shares	2015 Nominal value £
At 1 July 2014 – Ordinary shares	820,000,000	8,200,000
Increase in authorised share capital of £0.01 each on 23 January 2015	200,000,000	2,000,000
<b>At 30 June 2015 – Ordinary shares</b>	<b>1,020,000,000</b>	<b>10,200,000</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## 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 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>

	No. of shares	Nominal value \$	Share premium \$	Total \$
Ordinary shares of 1p each at 30 June 14	652,153,202	11,106,524	78,434,985	89,541,509
Shares issued at £0.03 – Placement 17 December 2014	33,591,828	633,842	1,267,633	1,901,475
Share issue costs charged to share premium account	-	-	(85,191)	(85,191)
Shares issued at £0.03 – Open offer 9 April 2015	74,708,041	1,444,355	2,888,711	4,333,066
Share issue costs charged to share premium account	-	-	(293,828)	(293,828)
<b>Ordinary shares of 1p at 30 June 2015</b>	<b>760,453,071</b>	<b>13,184,721</b>	<b>82,212,310</b>	<b>95,397,031</b>

### Potential issues of ordinary shares

At 30 June 2015 the Company had 21,380,000 options outstanding for the issue of ordinary shares (2014: 33,920,000), 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.

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

The contractual life of each option granted is generally 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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 17: CAPITAL AND RESERVES *Continued*

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2015
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
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
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	2,850,000
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	2,850,000
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
8 July 2014	When the Company's share price has traded at a minimum of £0.20 on a 30 day VWAP basis	8 July 2017	£0.14	2,180,000	2,180,000
8 July 2014	When the Company's share price has traded at a minimum of £0.40 on a 30 day VWAP basis	8 July 2017	£0.28	2,180,000	2,180,000
				22,180,000	21,380,000

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

### Warrants

There were no warrants outstanding as at 30 June 2015.

### Share options issued

On 15 July 2013, the company entered into an agreement to grant 7,500,000 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 17: CAPITAL AND RESERVES *Continued*

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.

On 8 July 2014, the company entered into an agreement to grant 4,360,000 unlisted options to the Board of Directors. The options have a life of 3 years. The terms of the share options are as follows:

- 2.18 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;
- 2.18 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

Refer to note 19 for further details.

### **Dividends**

The Directors do not recommend the payment of a dividend (2014: 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.

## NOTE 18: TRADE AND OTHER CURRENT PAYABLES

	Group 2015 \$	Group 2014 \$	Company 2015 \$	Company 2014 \$
<b>Current</b>				
Trade payables	1,065,617	291,409	1,000,066	260,817
Other payables	326,689	413,434	68,019	85,433
Accrued expenses	946,140	82,458	281,666	82,458
	<b>2,338,446</b>	<b>787,301</b>	<b>1,349,751</b>	<b>428,708</b>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 19: EMPLOYEE BENEFITS

### Share-based payments

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

	Weighted average exercise price 2015	Number of options 2015	Weighted average exercise price 2015	Number of options 2015
Outstanding at the beginning of the year	£0.34	30,920,000	£0.37	25,372,000
Lapsed during the year	£0.41	(13,900,000)	£0.47	(9,272,000)
Granted during the year	£0.21	4,360,000	£0.31	14,820,000
Exercised during the year	-	-	-	-
Outstanding at the end of the year	£0.27	21,380,000	£0.34	30,920,000
Exercisable at the end of the year	-	-	-	-

The options outstanding at 30 June 2015 have an exercise price of £0.14 - £0.50 (2014: £0.14 - £0.50) and a weighted average contractual life of 1.46 years (2014: 2.42 years).

Share options held by Directors are as follows:

Share options held	At 30 June 2015	At 30 June 2014	Option price	Exercise period
<b>Alan Martin<sup>1</sup></b>	-	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
<b>Nicholas Mather</b>	-	3,000,000	6p	19/08/13 - 19/08/14
	750,000	-	14p	08/07/14 - 08/07/17
	750,000	-	28p	08/07/14 - 08/07/17
<b>Brian Moller</b>	550,000	-	14p	08/07/14 - 08/07/17
	550,000	-	28p	08/07/14 - 08/07/17
<b>Robert Weinberg</b>	440,000	-	14p	08/07/14 - 08/07/17
	440,000	-	28p	08/07/14 - 08/07/17
<b>John Bovard</b>	440,000	-	14p	08/07/14 - 08/07/17
	440,000	-	28p	08/07/14 - 08/07/17

<sup>1</sup> Alan Martin resigned as CEO and Managing Director 17 May 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 19: EMPLOYEE BENEFITS *Continued*

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

Share options held at 30 June 2015	Share options held at 30 June 2014	Option price	Exercise period
-	250,000	£0.14	28/06/13 – 28/06/15
-	250,000	£0.28	28/06/13 – 28/06/15
-	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	£0.28	Vesting from 30 day VWAP of 40p to 06/09/2017
-	8,000,000	£0.50	Vesting from 30 day VWAP of 80p to 6/09/2017
1,250,000	1,250,000	£0.14	Vesting from 30 day VWAP of 20p to 15/07/2016
2,250,000	2,250,000	£0.28	Vesting from 30 Day VWAP of 40p to 15/07/2016
4,000,000	4,000,000	£0.50	Vesting from 30 Day VWAP of 80p to 15/07/2016
2,850,000	3,050,000	£0.14	Vesting from 30 Day VWAP of 20p to 24/09/2016
2,850,000	3,050,000	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
820,000	820,000	£0.50	Vesting from 30 Day VWAP of 80p to 24/09/2016
2,180,000	-	£0.14	Vesting from 30 Day VWAP of 20p to 08/07/2017
2,180,000	-	£0.28	Vesting from 30 Day VWAP of 40p to 24/09/2016
<b>21,380,000</b>	<b>33,920,000</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.

Fair value of share options and assumptions	2014					
	£0.50 Options	£0.28 Options	£0.14 Options	£0.50 Options	£0.28 Options	£0.14 Options
	15 July 2013	15 July 2013	15 July 2013	24 Sept 2013	24 Sept 2013	24 Sept 2013
Number of options	4,000,000	2,250,000	1,250,000	820,000	3,250,000	3,250,000
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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 19: EMPLOYEE BENEFITS *Continued*

Fair value of share options and assumptions	2015	
	£0.14 Options 8 July 2014	£0.28 Options 8 July 2014
Number of options	2,180,000	2,180,000
Fair value at issue date	£0.010	£0.003
Exercise price	£0.140	£0.280
Expected volatility	115.31%	115.31%
Option life	3.00 years	3.00 years
Expected dividends	0.00%	0.00%
Risk-free interest rate (short-term)	2.48%	2.48%
Valuation methodology	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.

## NOTE 20: 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 2015 or 2014 no trading in commodity contracts was undertaken.

### Market risk

#### Interest rate risks

The group's and company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The increase/decrease of 2% in interest rates will impact the group's income statement by a gain/loss of \$6,429 and the company's income statement by \$4,306. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

#### Foreign currency risk

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 20: FINANCIAL INSTRUMENTS (GROUP AND COMPANY) *Continued*

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 2015 \$	Group 2014 \$
Solomon Island dollar (SBD)	7,071	9,226
United States dollar (USD)	61,859	323,621
Great British Pound (GBP)	1,800	-
	70,730	332,847

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 \$7,073 (2014: \$33,285) 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.

### **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 2015, the Group had \$220,189 in cash accounts with Macquarie Bank Limited in Australia, \$22,467 in cash accounts with the ANZ Bank in Australia, \$14,417 in cash accounts with Westpac Bank in Australia, \$4,219 in cash accounts with the ANZ Bank in Honiara, Solomon Islands, \$55,790 in cash accounts with Banco Guayaquil in Ecuador and \$4,358 in petty cash. Including other receivables, the maximum exposure to credit risk at the reporting date was \$472,735 (2014: \$5,647,069).

The company is also exposed to credit risk due to the cash balances it holds directly. It is also exposed to credit risk on the loan balances it holds with its subsidiaries. At 30 June 2015, the company had \$215,312 in cash and cash equivalents and \$21,741,251 of intercompany loan balances receivable. The maximum exposure to credit risk at the reporting date was \$21,956,563.

### **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.

All liabilities held by the Group are contractually due and payable within 1 year.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 20: FINANCIAL INSTRUMENTS (GROUP AND COMPANY) *Continued*

### *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.

## NOTE 21: 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	3,804,472	-	-
Solomon Islands	-	-	-
Queensland	792,500	819,000	-
	4,596,972	819,000	-

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.

## NOTE 22: 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.

#### *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 2015 \$150,000 was paid or payable to Samuel (2014: \$153,750). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$58,358 (2014: \$nil).
- (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



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 22: RELATED PARTIES *Continued*

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 2015 \$360,000 was paid or payable to DGR Global (2014: \$264,000) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$310,690 (2014: \$nil).

- (iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2015, Hopgood Ganim were paid \$128,681 (2014: \$89,039) 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 \$74,704 (2014: \$16,730).

*Share and Option transactions of Directors are shown under Notes 5 and 19.*

### (b) **Company**

The Company has related party relationships with its subsidiaries (see note 9), Directors and other key personnel (see Note 19).

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

#### **Subsidiaries**

The Company has an investment in subsidiaries balance of \$30,729,182 (2014: \$21,941,839). 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 2015

## NOTE 23: 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>

## NOTE 24: 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"). Cornerstone Capital Resources Inc. holds 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 to date has identified seven main prospects: Alpala, Alpala Northwest, Alpala Southwest, Aguinaga, Chinambicito, America-Tandayama and Cristal. The most significant of these is the Alpala prospect where twelve drill holes have been completed and a thirteenth partial drill hole have been drilled for a total combined meterage of 13,809 m.

The completion of soil gridding and infill across the entire tenement area has produced coincident molybdenum, gold and copper / zinc ratio in soil anomalies that suggest an inferred porphyry centre characterised by higher temperatures of

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2015

## NOTE 24: ACCOUNTING ESTIMATES AND JUDGEMENTS *Continued*

mineralisation. The low manganese in soil is inferred to be related to intense late-stage hydrothermal alteration, whilst the presence of elevated zinc surrounding these areas of low manganese is a geochemical signature that is typical of the metal zonation around porphyry copper-gold deposits.

The aggregate carrying value of \$16.90 million is considered to be unimpaired.

### **SolGold 100% owned Projects**

#### ***Kuma PL 08/06***

SolGold had a 100% ownership. The project was at an early stage of exploration, which had 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 identified a lithocap, which are often found above mineralised porphyry complexes. The prospecting licence (PL 08/06) expired on 11 April 2015 and accordingly the carrying value of \$0.31 million was considered to be impaired and an impairment charge of \$0.31 million (2014: \$nil) was recognised during the year.

#### ***Fauro PL 12/09***

The company could not find 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 tenement was relinquished and the carrying value of \$4,534 (2014: \$1.03 million) is considered to be impaired and an impairment charge of \$4,534 (2014: \$1.03 million) was recognised during the year ended 30 June 2015.

#### ***Acapulco mining projects***

Acapulco has three granted tenements across Queensland. The granted tenements comprise of 232 sub-blocks (circa 718 km<sup>2</sup>).

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 24,377.8 m 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 \$8.87 million is considered to be unimpaired.

#### ***Central minerals projects***

Central Minerals comprises of seven granted tenements which is comprised of 280 sub-blocks (circa 886 km<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 \$3.63 million at 30 June 2015 and are considered to be unimpaired.

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 30 June 2015*

## **NOTE 25: CONTINGENT ASSETS 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.

There are no contingent assets and liabilities at 30 June 2015 (2014: nil).

## **NOTE 26: SUBSEQUENT EVENTS**

On 2 October 2015, the Company executed Convertible Note Deeds with substantial shareholders, DGR Global Limited and Tenstar Trading Limited for a total funding of \$2,332,000.

On 19 November 2015, the Company issued an additional 62,263,534 shares at £0.015 to raise the equivalent of \$2.39 million in a combination of cash and debt conversions 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.

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

