

SolGold PLC Announces Audited Full Year Results

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BISHOPSGATE, September 29, 2022 - The Board of Directors of SolGold ("SolGold" or the "Company") (LSE:SOLG)(TSX:SOLG) is pleased to announce the release of its Audited Full Year Results for the year ended 30 June 2022. An abridged version of the Full Year Results is included below.

For Canadian purposes, the Company has also filed its audited financial statements, Management Discussion and Analysis ("MD&A") and Annual Information Form ("AIF") for the year ended 30 June 2022 on SEDAR.

The Board advises all shareholders and interested investors that the Company's website www.solgold.com.au contains access to a copy of the audited financial statements, MD&A and AIF for the year ended 30 June 2022. A copy of the Annual Report will be available on the website shortly.

This announcement was approved for release by Rufus Gandhi - Company Secretary

FINANCIAL REVIEW

HIGHLIGHTS

The Group achieved several milestones during the financial year ended 30 June 2022. These have helped to progress the development of SolGold, in particular the development of the Cascabel project and the exploration of the surrounding licence areas, and have included:

- Exploration and evaluation expenditure of US\$66,294,083 for the year;
- Continued acquisition of US\$3,836,561 in landholdings in the Cascabel project area in anticipation of infrastructure requirements for project development, with another US\$561,293 spent on advance payments for critical land parcels;
- Operating loss after tax of US\$1,701,565 representing a decrease of US\$22,070,524 over the prior year. The decrease in the loss is attributable to the remeasurement of the NSR financial liability offset by the tax expense;
- US\$26,102,133 cash balance (2021: US\$109,562,103).

RESULTS

The Group incurred a loss after tax of US\$1,701,565 for the year (2021: loss US\$23,772,089 restated). The decrease in the loss after tax is due to the remeasurement of the NSR financial liability, which represents an amortised gain of US\$35,003,704 for the year ended 30 June 2022. The remeasurement was triggered by Board approval in April 2022 of the Preliminary Feasibility Study ("PFS") resulting in amendments to anticipated cash flows of the NSR agreement due to changes in the timing of construction and the mine life and updated production volumes. This remeasurement is a non-cash flow book entry accounting for the financial liability at amortised cost. This remeasurement is offset by the associated deferred tax liability which in turn increased the income tax expense. Overall administrative expenses remained consistent from 2021, although there are some noteworthy costs. Employee benefits expenses increased by US\$1,930,187 as a result of the employment of additional senior management in Australia and London. Additionally, the exploration costs written off increased by US\$2,973,693, foreign exchange losses increased by US\$2,755,619, and the revaluation on the BHP derivative increased by US\$1,152,476.

An income tax expense of US\$4,540,103 (2021: US\$151,173) was recognised. This amount is offset by an

income tax benefit of US\$11,111 recognised directly in equity associated with capital raising costs, and an income tax benefit of US\$267,087 recognised in other comprehensive income relating to the fair value movement of the Company's investment in [Cornerstone Capital Resources Inc.](#) The balance of the tax expense is associated with the deferred tax liability on the remeasurement of the NSR liability.

The Group recognised total other comprehensive loss of US\$1,742,845 (2021: gain US\$1,818,657) for the financial year ended 30 June 2022. A loss of US\$1,205,636 (2021: gain of US\$1,198,986) was recognised representing the mark-to-market adjustment on the Company's investment in [Cornerstone Capital Resources Inc.](#) For the financial year ended 30 June 2022 the Group recognised a loss of US\$702,938 (2021: gain of US\$670,049) on translation of foreign operations. The average exchange rate used to convert Australian dollars to United States dollars was 0.7256 for the financial year ended 30 June 2022 compared to 0.7470 for the financial year ended 30 June 2021. The Group also recognised a decrease in the Ecuadorian post-employment benefits of US\$165,729.

STATEMENT OF FINANCIAL POSITION

Total assets at 30 June 2022 were US\$429,162,611 compared to US\$452,553,338 at 30 June 2021 representing a decrease of US\$23,392,727.

Current assets overall decreased by US\$87,212,401, which was primarily cash used to fund the Group's flagship Cascabel project and related overheads, the Group's regional exploration programme and general overhead expenses. Other receivables and prepayments decreased by US\$809,792 as a result of land deposits being capitalised during the year. Initial deposits and payments for land purchases are classified as other receivables until such time as the land processes in Ecuador are finalised and title deeds re issued, whereupon they are capitalised. Loans receivable and other current assets decreased by US\$2,942,639, mainly as a result of certain employees repaying their Company Funded Loan Plans.

Non-current assets increased by US\$63,819,674 mainly due to increases in exploration and evaluation assets, classified as intangible assets. Exploration assets increased by US\$61,739,591 (net of written off expenditure) predominantly due to the exploration expenditure incurred at the Alpala project (US\$35.03 million net of written off expenditure) and the various regional projects (US\$27.14 million net of written off expenditure) in Ecuador as identified in this report, during the twelve months ended 30 June 2022. Exploration assets decreased by US\$4.6 million, reflecting the written off misappropriation of funds after the Company instructed EY Ecuador to commence a forensic investigation into the alleged misappropriation of funds. The investigation brought to light the material misstatement of exploration assets as a result of false expenses being capitalised which was announced in Q3. Financial assets held at fair value through other comprehensive income ("OCI") decreased by US\$1,473,198 representing the mark to market adjustments that the Company makes on its investment in [Cornerstone Capital Resources Inc.](#) Property, plant and equipment increased by US\$3,261,392 primarily due to strategic land purchases at the Cascabel project.

Total liabilities at 30 June 2022 were US\$97,914,105 compared to US\$118,290,836 at 30 June 2021 representing a decrease of US\$20,376,731 largely as a result of the remeasurement of the NSR royalty, accounted for at amortised cost.

Current liabilities at 30 June 2022 were US\$6,924,204 compared to US\$8,183,405 at 30 June 2021 representing a decrease of US\$1,259,201. Trade and other payables decreased by US\$1,338,584.

Non-current liabilities decreased by US\$19,117,536 mainly due to the remeasurement of the NSR financial liability and the associated deferred tax liability, which was offset by accrued interest and by a decrease in the value of the derivative liability associated with the BHP options issued in December 2019.

Given that the Company will need to secure further funding to meet the Group's 18-month future exploration and working capital commitments, the situation gives rise to a material uncertainty as there can be no assurance the Company will be able to raise the required financing in the future. The auditors' report on our financial statements contains a 'material uncertainty related to going concern' paragraph to this effect. Notwithstanding this material uncertainty, the Directors consider it appropriate to adopt the going concern basis of accounting in the preparation of the financial statements and prepare the financial statements on a going concern basis given the Company's proven ability to raise necessary funding.

CASH FLOW

Cash expenditure (before financing activities) for the year ended 30 June 2022 was US\$82,658,324 (2021: US\$95,812,231). Most of this cash spend relates to cash expenditure on the Group's exploration expenditure in Ecuador (US\$69,455,961) and property, plant and equipment and strategic land purchases, that are currently still in the negotiation stages (US\$2,195,892).

During the financial year ended 30 June 2022, nil cash was received from the issue of shares via private placements or the exercise of share options (2021: US\$76,113,126). Accordingly, the net cash outflow of the Group for the year ended 30 June 2022 was US\$83,143,710 (2021: inflow of US\$61,589,969).

As mentioned above, cash of US\$69,455,961 (2021: US\$75,611,280) was invested by the Group on exploration expenditure during the year.

EXPLORATION HIGHLIGHTS

The Company continues to pursue its strategy as an integrated explorer and developer, aiming to create maximum value for all shareholders. The Company is applying its exploration blueprint of systematically evaluating its exploration assets across Ecuador, which are held by four wholly owned subsidiaries that are exploring throughout the country. SolGold has identified several high priority copper and gold resource targets, some of which the Company believes have the potential to reach resource definition and feasibility levels in close succession.

Early-stage results from the Company's regional exploration programmes are testament to this approach following the discovery of significant copper-gold mineralisation at surface at the Cacharposa porphyry copper-gold target at Porvenir as well as discovery of significant geochemical and geophysical hallmarks of large porphyry systems identified at several project areas, including the Helipuerto, Rio Amarillo and Cisne Loja projects.

SolGold's regional exploration programme in Ecuador coordinates multiple highly skilled field teams systematically exploring its concessions throughout the country. The Company's regional concessions are located along the prolific Andean Copper Belt which is renowned as the production base for a significant portion of the world's copper and gold resources. The regional exploration programme currently focusses on a number of high priority projects identified for targeted exploration, of which several are considered core targets that are drill ready.

SolGold has regulatory licencing approvals for scout drilling at five projects including Porvenir and Rio Amarillo. This has been made possible with the government recognising and approving the need, in the Initial Exploration phase, for initial drilling to identify any potential deposit. During the period the Company obtained authorisation to collect water for the Rio Amarillo project.

During the period, SolGold has focused on completing the critical study work and data collection for the Preliminary Feasibility Study ("PFS") at its Cascabel project, which is based on the Alpala deposit containing 9.9Mt Cu, 21.7Moz Au and 92.2Moz Ag. The results of the PFS were announced on 20 April 2022. The Company also concentrated on continuing to uncover the value in the Company's vast regional exploration portfolio throughout Ecuador and announced the Mineral Resource Estimates ("MRE") for the Tandayama-America deposit at Cascabel and the Cacharposa deposit at the Porvenir project.

Click on, or paste the following link into your web browser, to view the full announcement:

http://www.rns-pdf.londonstockexchange.com/rns/0922B_1-2022-9-29.pdf

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