

**SOMA GOLD CORP.**

(formerly Para Resources Inc.)

Condensed Interim Consolidated Financial Statements  
(Unaudited - expressed in Canadian Dollars)

For the Three and Six Months Ended June 30, 2020 and 2019

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**Soma Gold Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(Unaudited - expressed in Canadian Dollars)

	Notes	June 30, 2020 \$	December 31, 2019 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash		1,309,555	45,149
Receivables	8	2,910,408	378,085
Inventory		3,993,348	136,090
Prepays and deposits	10	107,177	232,249
Assets held for sale	6	-	27,912,639
<b>Total current assets</b>		<b>8,320,488</b>	<b>28,704,212</b>
<b>Non-current assets</b>			
Mineral properties	11	299,062	1
Exploration and evaluation assets	12	2,798,780	2,566,391
Property, plant and equipment	13	9,266,742	5,550,421
Goodwill	7	1,952,840	-
<b>Total non-current assets</b>		<b>14,317,424</b>	<b>8,116,813</b>
<b>TOTAL ASSETS</b>		<b>22,637,912</b>	<b>36,821,025</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		7,619,087	2,894,005
Due to related parties	15, 16	7,853,408	6,071,241
Loans	15	2,011,290	-
Lease liabilities		59,306	-
Liabilities directly associated with the assets held for sale	6	-	27,782,758
Business acquisition payable	14	6,115,674	-
<b>Total current liabilities</b>		<b>23,658,765</b>	<b>36,748,004</b>
Deferred income tax liability		389,821	-
Due to related parties	15,16	10,445,093	9,282,829
Lease liabilities		130,698	-
Asset retirement obligation	17	344,155	-
Business acquisition payable	14	1,814,037	-
<b>Total non-current liabilities</b>		<b>13,123,804</b>	<b>9,282,829</b>
<b>TOTAL LIABILITIES</b>		<b>36,782,569</b>	<b>46,030,833</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	18	42,084,606	42,168,633
Share option and warrant reserve	18	3,004,399	3,023,507
Contributed surplus		11,196,272	11,196,272
Deficit		(69,260,166)	(64,556,604)
Accumulated other comprehensive income (loss)		(1,332,859)	(947,487)
<b>Equity attributable to shareholders</b>		<b>(14,307,748)</b>	<b>(9,115,679)</b>
Non-controlling interests		163,091	(94,129)
		(14,144,657)	(9,209,808)
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>22,637,912</b>	<b>36,821,025</b>
Nature of operations and going concern (Note 1)			
Contingent asset (Note 21)			
Subsequent events (Note 22)			

The accompanying notes are an integral part of these consolidated financial statements.

**Soma Gold Corp.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
**(Unaudited - expressed in Canadian Dollars)**

	Notes	Three months ended June 30,		Six months ended June 30,	
		2020	2019	2020	2019
<b>Revenues</b>		\$	\$	\$	\$
Metal Sales		1,590,358	-	1,590,358	-
<b>Costs of Sales</b>					
Direct mining costs		982,709	-	982,709	-
<b>Expenses</b>					
Business investigation		-	4,003	-	32,498
Consulting	15	405,429	460,967	535,884	771,924
Depreciation	13	170,574	9,100	177,363	18,183
Investor relations		270,855	155,448	295,855	180,448
Office and miscellaneous	15	64,031	165,535	152,513	503,120
Professional fees		212,966	117,627	220,638	182,535
Regulatory and other filing fees		61,325	9,556	68,032	25,580
Repairs and maintenance		-	(6,185)	-	-
Salaries and wages	15	495,682	875,146	893,877	1,404,479
Share-based compensation	15	2,083	10,687	2,500	70,692
<b>Loss before other items</b>		<b>\$ (1,075,296)</b>	<b>\$ (1,470,814)</b>	<b>\$ (1,739,013)</b>	<b>\$ (3,189,459)</b>
Gain on debt forgiveness		(2,097)	2,717	-	2,717
Interest expense		(603,111)	(652,573)	(1,178,002)	(1,038,236)
Foreign exchange gain (loss)		(389,124)	(149,686)	(181,995)	393,867
Loss on revaluation of derivative	6	-	(1,625,103)	(4,248,239)	(2,010,766)
Realized gain on disposal of subsidiaries	6	-	-	563,561	-
Realized gain on accumulated currency translation for disposed subsidiaries	6	-	-	2,788,873	-
Other expenses		(708,213)	60,975	(720,258)	15,021
Other income	8	294,134	(14,422)	294,294	30,345
<b>Loss for the year before tax</b>		<b>\$ (2,483,707)</b>	<b>\$ (4,242,773)</b>	<b>\$ (4,420,779)</b>	<b>\$ (5,796,511)</b>
Deferred income tax recovery		-	-	-	-
<b>Loss for the period from continuing operations</b>		<b>\$ (2,483,707)</b>	<b>\$ (4,242,773)</b>	<b>\$ (4,420,779)</b>	<b>\$ (5,796,511)</b>
<b>Discontinued operations</b>					
Loss after tax for the period from discontinued operations		-	-	(458,222)	-
<b>Loss for the period</b>		<b>\$ (2,483,707)</b>	<b>\$ (4,242,773)</b>	<b>\$ (4,879,001)</b>	<b>\$ (5,796,511)</b>
<b>Other Comprehensive Income (Loss)</b>					
Items that may be reclassified subsequently to profit or loss:					
Gain (loss) on translating foreign operations		(1,025,769)	(1,089,428)	2,854,784	(1,912,661)
Realized gain on accumulated currency translation for disposed subsidiary				(2,788,873)	-
<b>Total Comprehensive Loss for the period</b>		<b>\$ (3,509,476)</b>	<b>\$ (5,332,201)</b>	<b>\$ (4,813,090)</b>	<b>\$ (7,709,172)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Soma Gold Corp.**  
**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**  
**For the Three and Six Months Ended June 30, 2020 and 2019**  
**(Unaudited - expressed in Canadian Dollars)**

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<b>Loss for the period attributable to:</b>				
Owners of the parent	(2,401,456)	(3,953,608)	(4,703,562)	(5,378,887)
Non-controlling interests	(82,251)	(289,165)	(175,439)	(417,624)
	<u>\$ (2,483,707)</u>	<u>\$ (4,242,773)</u>	<u>\$ (4,879,001)</u>	<u>\$ (5,796,511)</u>
<b>Comprehensive loss for the period attributable to:</b>				
Owners of the parent	(3,529,367)	(5,033,687)	(5,088,934)	(7,197,137)
Non-controlling interests	19,891	(298,514)	275,844	(512,035)
	<u>\$ (3,509,476)</u>	<u>\$ (5,332,201)</u>	<u>\$ (4,813,090)</u>	<u>\$ (7,709,172)</u>
Basic and Diluted Loss per Common Share	<u>(0.08)</u>	<u>(0.23)</u>	<u>(0.16)</u>	<u>(0.33)</u>
Weighted Average Number of Common Shares Outstanding	<u>30,385,453</u>	<u>18,340,412</u>	<u>30,391,398</u>	<u>17,386,418</u>

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**Soma Gold Corp.**  
**Condensed Interim Consolidated Statements of Changes in Equity**  
**For the Six Months Ended June 30, 2020 and 2019**  
**(Unaudited - expressed in Canadian Dollars)**

	Share Capital	Share option and warrant reserve	Shares to be issued	Contributed surplus	Deficit	AOCI	NCI	Total
	\$	\$	\$		\$	\$	\$	\$
<b>Balance as at December 31, 2018</b>	<b>26,128,752</b>	<b>2,893,560</b>	<b>-</b>	<b>11,196,272</b>	<b>(26,893,508)</b>	<b>835,486</b>	<b>792,796</b>	<b>14,953,358</b>
Shares issued pursuant to private placement	-	-	5,105,070	-	-	-	-	5,105,070
Share issue costs	(2,781)	-	-	-	-	-	-	(2,781)
Share-based payments	-	60,005	-	-	-	-	-	60,005
Loss for the period	-	-	-	-	(1,091,030)	-	(128,459)	(1,219,489)
Other comprehensive income for the period	-	-	-	-	-	(738,172)	(85,061)	(823,233)
<b>Balance as at June 30, 2019</b>	<b>\$ 26,125,971</b>	<b>\$ 2,953,565</b>	<b>\$ 5,105,070</b>	<b>\$ 11,196,272</b>	<b>\$(27,984,538)</b>	<b>\$ 97,314</b>	<b>\$ 579,276</b>	<b>\$ 18,072,930</b>
<b>Balance as at December 31, 2019</b>	<b>42,168,633</b>	<b>3,023,507</b>	<b>-</b>	<b>11,196,272</b>	<b>(64,556,604)</b>	<b>(947,487)</b>	<b>(94,129)</b>	<b>(9,209,808)</b>
Share-based payments	-	2,500	-	-	-	-	-	2,500
Exercise of stock options	51,608	(21,608)	-	-	-	-	-	30,000
Cancellation of preferred share subscriptions	(135,635)	-	-	-	-	-	-	(135,635)
Loss for the period	-	-	-	-	(7,492,435)	-	(175,439)	(7,667,874)
Other comprehensive loss for the year	-	-	-	-	-	2,403,501	451,283	2,854,784
Transfer of realized gain from re-translation of subsidiaries	-	-	-	-	2,788,873	(2,788,873)	-	-
Elimination of non-controlling interest at disposal of subsidiaries	-	-	-	-	-	-	(18,624)	(18,624)
<b>Balance as at June 30, 2020</b>	<b>\$42,084,606</b>	<b>\$3,004,399</b>	<b>\$ -</b>	<b>\$ 11,196,272</b>	<b>\$(69,260,166)</b>	<b>(\$1,332,859)</b>	<b>\$ 163,091</b>	<b>(\$14,144,657)</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Soma Gold Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
**For the Six Months Ended June 30, 2020 and 2019**  
**(Unaudited - expressed in Canadian Dollars)**

	2020 \$	2019 \$
<b>OPERATING ACTIVITIES</b>		
Loss before tax from continuing operations	\$ (4,420,779)	\$ (5,796,511)
Loss before tax from discontinued operations	(458,222)	-
Loss before tax	(4,879,001)	(5,796,511)
<i>Non-cash items:</i>		
Loss from revaluation of derivative	4,248,239	2,010,766
Gain from disposal of subsidiaries	(563,561)	-
Gain from debt forgiveness	-	(2,717)
Depreciation	177,363	18,183
Interest expense	1,178,002	912,111
Income tax expense	-	(66,274)
Share-based payments	2,500	70,692
Foreign currency exchange loss (gain)	181,970	(993,682)
<i>Changes in non-cash working capital items:</i>		
Short-term investment	-	3,383,216
Receivables	349,311	(271,765)
Prepays and deposits	880,709	267,153
Advance royalties	-	(6,989)
Inventory	(448,417)	(107,301)
Accounts payable and accrued liabilities	526,145	2,036,116
	1,653,260	1,413,608
<b>INVESTING ACTIVITIES</b>		
Expenditures on exploration and evaluation assets	(40,925)	(186,207)
Mineral property costs	(601,368)	(11,851,708)
Purchase of equipment	(13,543)	(295,940)
Acquisition of business, net of cash acquired	(1,312,035)	-
	(1,967,871)	(12,333,855)
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of common shares, net of share issuance costs	-	5,193,876
Preferred shares issuance	-	135,942
Proceeds from exercise of stock options, net of share issuance costs	30,000	-
Advances from (repayment to) related parties	1,543,718	(39,390)
Proceeds from loans	-	5,216,002
	1,573,718	10,545,820
Foreign exchange effect on cash	5,299	-
<b>INCREASE (DECREASE) IN CASH DURING THE YEAR</b>	<b>1,264,406</b>	<b>(374,427)</b>
<b>CASH, BEGINNING OF THE YEAR</b>	<b>45,149</b>	<b>389,446</b>
<b>CASH, END OF THE YEAR</b>	<b>\$ 1,309,555</b>	<b>\$ 15,019</b>

The accompanying notes are an integral part of these consolidated financial statements.

**Soma Gold Corp.**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
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**1. NATURE OF OPERATIONS AND GOING CONCERN**

Soma Gold Corp. (the “Company”), formerly Para Resources Inc., is the parent company of its consolidated group and was incorporated on April 13, 2010 under the Business Corporations Act (British Columbia). The Company was a capital pool company pursuant to the policies of the TSX Venture Exchange (“Exchange”). On April 30, 2012 the Company completed its Qualifying Transaction by acquiring all of the issued and outstanding shares of Angra Metals Mineração Ltda. (“ANGRA”) from Goldsource Mines Inc. (formerly Eagle Mountain Gold Corp.) (“Goldsource”) after obtaining approval from the Exchange. Effective May 2, 2012, the Company was classified as a Mineral Exploration and Development company and is currently listed on the Exchange under the trading symbol “PBR”. On May 8, 2020, Para Resources Inc. changed its name to Soma Gold Corp and the trading symbol changed to “SOMA”.

The Company’s principal business activity is the acquisition, exploration and development of mineral properties, and the operation of the El Bagre underground gold operations through its wholly owned subsidiary Operadora Mineras S.A.S (“Operadora”) which was acquired in the year (note 7). The El Bagre operations consists of the La Ye and Los Mangos operating underground gold mines and the Cordero mine development project.

The registered office of the Company is 1000-840 Howe Street, Vancouver, British Columbia, Canada, V6Z 2M1 and its head office is 450-1090 Georgia Street, Vancouver, British Columbia, V6C 3V7.

The consolidated financial statements were prepared on a going concern basis which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development and to place these properties into production, renewal of underlying titles to the mining properties and/or future proceeds from the disposition thereof.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future which is at least, but not limited to, twelve months from the end of the reporting year. Management is aware in making its assessment, of material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern, as explained in the following paragraph.

As at June 30, 2020, the Company had an accumulated deficit of \$69,260,166 (six months ended June 30, 2019 – deficit of \$32,272,395). For the six months ended June 30, 2020, the Company incurred a net loss of \$4,420,779 (six months ended 2019 – net loss \$5,796,511), had a positive cash flow from operations amounting to \$1,653,260 (2019 – positive cash flow of \$1,413,609) and had a working capital deficit of \$15,338,277 (six months June 30, 2019 – working capital deficit \$7,245,049). The Company will require additional financing, through various means including but not limited to equity financing and cash flow generated from operations, to continue the exploration program and to meet its future option payment obligations and all of its general and administrative costs. There is no assurance that the Company will be successful in raising the additional required funds. In addition, the outbreak of COVID-19 since March 2020 resulted in a challenging global economic climate that may lead to further adverse changes in cash flows, working capital levels and/or debt balances, which may also have a direct impact on the Company’s operating results and financial position, and ability to raise financing. The magnitude of the impact of the COVID-19 outbreak on the Company’s business is not known at this time.

Although these consolidated financial statements have been prepared using International Financial Reporting Standards applicable to a going concern, the above noted conditions raise significant doubt regarding the Company’s ability to continue as a going concern.

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**Notes to the Condensed Interim Consolidated Financial Statements**  
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These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, to the reported expenses and to the financial position classifications that would be necessary if the going concern assumption was inappropriate. These adjustments could be material.

**2. BASIS OF PRESENTATION**

**Statement of compliance**

The Company's consolidated financial statements, including comparatives, have been prepared in accordance with and using accounting policies in compliance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the IFRS Interpretations Committee, effective for the Company's reporting for the year ended December 31, 2019.

These consolidated financial statements were approved by the board of directors for use on August 13, 2020.

**Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value.

**Basis of consolidation**

These consolidated financial statements include the financial statements of the Company and its controlled subsidiaries.

<b>Name of subsidiary</b>	<b>Place of incorporation</b>	<b>Ownership interest at June 30, 2020</b>	<b>Principal activity</b>
Angra Metals Mineracao Ltda ("Angra")	Brazil	100%	Operating exploration company
Colombia Milling Ltd. ("CML")	Belize	100%	Holding company
Operadora Minera S.A.S. ("Operadora")	Colombia	100%	Operating silver and gold production

The financial statements of CML contain the results of Four Points Mining SAS ("Four Points"), a Colombian entity that CML has 89% ownership of. The consolidated financial statements attribute an amount to NCI related to Four Points and Gold Road.

Control is achieved when the Company is exposed or has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that such control ceases. All intercompany transactions and balances are eliminated upon consolidation.

The Company attributes total comprehensive income or loss of subsidiaries between the owners of the parent and the non-controlling interests based on their respective ownership interests.

**Functional and presentation currency**

The financial statements for the Company and each of its subsidiaries are prepared using their functional currencies. Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is the Canadian dollar. The functional currency of ANGRA is the Brazilian Real. The functional currency of CML, Four Points, Gold Road Mining and Tr-Ue Vein is the

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US dollar. The functional currency of Operadora is the Colombian Peso. The presentation currency of the Company is the Canadian dollar.

Entities whose functional currencies differ from the presentation currency are translated into Canadian dollars as follows: assets and liabilities at the closing rate as at the reporting date and income and expenses at the average rate of the period. All resulting changes are recognized in other comprehensive income or loss as cumulative translation differences.

On disposal of a foreign operation the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

Foreign currency transactions are translated into the functional currency using exchange rates prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary assets and liabilities that are stated at fair value are translated using the historical rate on the date that the fair value was determined. All gains and losses on translation of these foreign currency transactions are charged to the statement of loss.

### **3. SIGNIFICANT ACCOUNTING POLICIES**

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the last annual financial statements. The changes in accounting policies are also expected to be reflected in the Company's consolidated financial statements as at and for the period ended June 30, 2020.

#### *Conceptual Framework*

In March 2018, the IASB issued the revised Conceptual Framework for Financial Reporting which assists entities in developing accounting policies when no IFRS Standard applies to a particular transaction and helps stakeholders to more fully understand the standards. The revised conceptual framework includes the following clarifications and updates: (a) a new chapter on measurement; (b) guidance on reporting financial performance; (c) improved definitions and guidance, particularly for the definition of a liability; and, (d) clarifications on important items such as the role of stewardship, prudence and measurement uncertainty in financial reporting. The revised conceptual framework is effective for annual reporting periods beginning on or after January 1, 2020 and is applicable to the Company starting January 1, 2020. The adoption of this new standard has not had any impact on the amounts recognized in the Company's interim financial statements.

#### *Definition of Material*

In October 2018, the IASB issued Definition of Material (Amendments to IAS 1 and 8) to clarify the definition of 'material' and to align the definition used in the Conceptual Framework and the standards themselves. The amendments are effective for annual reporting periods beginning on or after January 1, 2020 and are applicable to the Company starting January 1, 2020. The adoption of this new standard does not have any impact on the amounts recognized in the Company's interim financial statements.

#### *Amendments to IFRS 3 Business Combination*

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3) which: (a) clarifies that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;

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(b) narrows the definition of a business and of outputs by focusing on goods and services provided to customers; and (c) removes certain assessments and adds guidance and illustrative examples. The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. The Company adopted the standard effective January 1, 2020 and has been applied to business combinations completed during the period ended June 30, 2020.

#### **4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

##### ***Estimates***

##### **Fair value measurements**

The Company measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at FVLCD. Fair values of financial instruments measured at amortized cost are disclosed in Note 21.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

##### **Useful life of depreciable assets**

Management reviews its estimate of useful lives of depreciable assets at each reporting date, based on the expected utility of the assets.

##### **Mineral resource estimate**

The life of the La Ye and Los Mangos mines is determined from the ore reserves that are available to be extracted at the end of each reporting period. The Company initially estimates the ore reserve available based on the findings of qualified, independent, mining professionals. These estimates are updated from time to time as additional technical and economic information becomes available. Factors that impact the computation of reserves available include the geological data on the size, depth and shape of the ore body, the prevailing and expected market price for the underlying metals to be extracted and the expected costs to extract and process the mined material.

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Changes in the mineable ore reserve available may impact the carrying value of mine property, exploration and evaluation properties, plant and equipment, site closure and reclamation provision and changes in the recognition of deferred tax amounts in addition to changes in the recognition of depreciation and depletion.

**Income taxes**

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity against which the unused tax losses can be utilized. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

**Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees and consultants 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.

**Share Capital**

The number of shares and per share amounts in these consolidated financial statements, including comparative figures, have been adjusted to reflect the changes resulting from a 10 for 1 share consolidation which took effect on May 8, 2020. This reduced the number of issued and outstanding common shares as at June 30, 2020 from approximately 303,933,649 to 30,393,365 and the number of issued and outstanding common share as at December 31, 2019, from approximately 303,333,649 to 30,333,365

**Derivatives**

The Company measures derivatives at the fair value. The determination of fair value is based on widely acceptable valuation models, including but not limited to a discounted cash flow model, Black Scholes, etc. The Company uses observable inputs in the valuation where practically possible.

**Asset retirement obligations**

Asset Retirement Obligations Asset retirement obligations ("AROs") arise from the acquisition, development and construction of mining properties and plant and equipment due to government controls and regulations that protect the environment on the closure and reclamation of mining properties. The major parts of the carrying amount of AROs relate to rehabilitation, demolition of buildings and mine facilities, ongoing water treatment and ongoing care and maintenance of closed mines. The Company recognizes an ARO at the time the environmental disturbance occurs. When the ARO provision is recognized, the corresponding cost is capitalized to plant and equipment and mineral interests and depreciated over the life of the related assets.

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**Judgments**

The preparation of these interim financial statements in accordance with IAS 34 requires management to use judgement and make estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities at the date of the interim financial statements, and the reported amounts of revenue and expenses during the reporting periods. The judgements, estimates and associated assumptions are based on historical experience and other factors that management considers to be relevant and are subject to uncertainty. Judgements, estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Actual results could differ from these estimates due to changes in interest rates, foreign exchange rates, inflation, and economic conditions. The areas of significant judgement and estimation were identified in the Company's annual financial statements for the year ended December 31, 2019, except for judgements pertaining to the adoption of new accounting policies effective on January 1, 2020 (note 3).

**5. NON-CONTROLLING INTERESTS**

On December 31, 2016 the Company increased its ownership of Four Points to 77%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points. The Company recorded a decrease in non-controlling interest of \$1,021,856, as there was no consideration paid to the non-controlling interest the amount was recorded against the equity of the parent. On July 1, 2017 the Company increased its ownership to 80% and recorded a decrease to non-controlling interest of \$204,372.

On December 31, 2018 the Company increased its ownership in Four Points to 89%. The increase in ownership was based on the cash payments made by the Company to fund operations of Four Points. There were no changes to ownership in Four Points during the three months period ended June 30, 2020.

**6. DISPOSAL OF SUBSIDIARIES**

On December 31, 2019, the Company made the decision to sell Z79, a wholly owned subsidiary; the plan to sell was approved by the shareholders on the same day. The sale was completed in March 2020. At December 31, 2019, Z79 was classified as a disposal group held for sale and as a discontinued operation. The business of Gold Road represented the entirety of the Company's Gold Road operating segment until December 31, 2019. With Z79 being classified as discontinued operations, the Gold Road operating segment is no longer presented in the segment note. The results of Z79's operations for the period are presented below:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Expenses	458,222	486,225
Operating loss	458,222	486,225
Finance costs	-	-
Other expenses	-	-
Loss before tax from discontinued operations	458,222	486,225
Tax benefit/(expense)	-	-
<b>Loss for the period from discontinued operations</b>	<b>458,222</b>	<b>486,225</b>

On March 27, 2020, the Company completed a sale of Z79 and its partially owned subsidiaries – Gold Road Mining Corp. and TRVE for the consideration of US\$1 to Aura Minerals. The Company de-recognized assets, liabilities associated with these liabilities and non-controlling interests. Soma recognized a gain from disposal of subsidiaries of \$563,561 and realized gain from transfer of cumulative currency translation adjustments of net assets of subsidiaries disposed of in the amount of \$2,788,873.

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The gold forward sale derivative liability that was included in liabilities directly associated with the assets held for sale at December 31, 2019 was revalued at March 27, 2020. The resulting loss of \$4,248,239 from revaluation was included in the results from operations for the six months ended June 30, 2020.

**7. Acquisition of Operadora**

On May 28, 2020, the Company completed its acquisition of Operadora by acquiring 100% of the shares of Operadora. The acquisition was accounted for as a business combination using the acquisition method whereby the net assets acquired, and the liabilities assumed were recorded at fair value.

The following table summarizes the purchase price consideration allocated to the estimated fair value of the net assets acquired and the resulting value of goodwill (the Company anticipates finalizing the final calculations of deferred income tax calculation within one year from the acquisition date):

	<b>Preliminary</b>
<b>Consideration transferred:</b>	
Cash consideration	\$ 7,565,964
Fair value of contingent consideration payable	1,814,808
	<b>9,380,772</b>
<b>Fair value of assets and liabilities recognized:</b>	
Current assets	7,110,477
Non-current assets	5,060,017
Current liabilities	(4,394,207)
Non-current liabilities	(348,355)
Fair value of net assets acquired	<b>7,427,932</b>
Goodwill	<b>1,952,840</b>
Total	<b>9,380,772</b>

Revenues of \$1,590,358 and net income of \$387,611 from the acquired operations are included in the consolidated statement of loss and comprehensive loss from the date of acquisition to May 28, 2020. Had the acquisition of Operadora occurred on January 1, 2020, the Company would have recognized consolidated revenues of \$16,274,046 and consolidated net loss of (\$3,736,631) for the period ended June 30, 2020. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same as if the acquisition had occurred on January 1, 2020.

Transaction costs of \$149,908 were incurred in connection with the acquisition.

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**8. RECEIVABLES**

The Company's receivables consist of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	395,180	-
Advances	485,816	-
GST receivable	44,217	9,843
Income tax receivable	571,843	-
VAT receivable (i)	80,023	-
Other	1,333,329	368,242
	<b>2,910,408</b>	<b>378,085</b>

- (i) \$nil (December 31, 2019 – \$544,196) of value-added tax receivable was written off during the six-month period ended June 30, 2020.

**9. INVENTORY**

The Company's inventory consists of supplies and parts and is valued at the lower of average cost and net realizable value. Costs include acquisition, freight and other directly attributable costs.

**10. PREPAIDS AND DEPOSITS**

As at June 30, 2020 the Company's prepaid amounts consist of the following:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
	<b>\$</b>	<b>\$</b>
Advances to suppliers	10,811	141,109
Deposits	7,122	-
Other advances	5,680	14,473
Prepaid insurance	59,858	10,000
Prepaid services	23,706	66,667
	<b>107,177</b>	<b>232,249</b>

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**11. MINERAL PROPERTIES**

The Company's mineral property balance consists solely of mines under construction.

As at June 30, 2020 the Company's mineral properties balance consisted of the following:

	El Limon	North Otu	Gold Road	Total
	\$	\$	\$	\$
<b>Balance, December 31, 2018</b>	<b>23,005,424</b>	<b>1,460,220</b>	<b>6,504,972</b>	<b>30,970,616</b>
Development costs	4,300,538	-	22,102,336	26,402,874
Incidental revenues	(2,793,976)	-	(2,441,699)	(5,235,675)
Impairment (note 6)	(23,647,352)	(1,374,130)	(3,680,220)	(28,701,702)
Foreign exchange translation	(864,633)	(86,090)	(728,207)	(1,678,930)
Transfer to Assets held for sale (note 6)	-	-	(21,757,182)	(21,757,182)
<b>Balance, December 31, 2019</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>1</b>
Development costs	323,368	-	-	323,368
Capitalized amortization	277,999	-	-	277,999
Incidental revenues	(262,578)	-	-	(262,578)
Foreign exchange translation	(39,728)	-	-	(39,728)
<b>Balance, June 30, 2020</b>	<b>299,062</b>	<b>-</b>	<b>-</b>	<b>299,062</b>

**El Limon**

As part of the acquisition of CML the Company acquired the El Limon gold mine held in Four Points. The mine is subject to a 3% NSR payable quarterly on gold production of at least 100 ton per day for 30 consecutive days, to a maximum of US\$2,000,000. Upon reaching the US\$2,000,000 NSR threshold, the NSR decreases to 0.05% payable to a maximum of US\$1,000,000.

**North Otu Properties**

On July 7, 2016 the Company announced through its newly incorporated 100% Colombian subsidiary, Zara Holdings S.A.S. ("Zara"), that it had entered into a Definitive Agreement (the "Agreement") with OTU Gold Ltd ("OTU") to acquire certain mining titles, as well as several mining applications, which are located within the Republic of Colombia, (collectively the "North Otu Properties"). The acquisition of the mining titles was recorded as an asset acquisition at cost. The mining titles and application of the North Otu Properties are the only assets of Zara.

The purchase of the North Otu Properties and the assignment and transfer to Zara of these properties includes all the rights and interests of OTU except for the rights pertaining to non-metallic minerals on the North Otu Properties. The purchase price is US\$1,000,000 (the "Purchase Price") and will be paid to OTU as follows:

- US\$500,000 non-refundable deposit (paid)
- US\$250,000 payable July 7, 2017 (paid - \$312,000)
- The issuance of 1,270,000 common shares of the Company. The shares were issued on September 9, 2016 and fair valued at \$317,500

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Additionally, Zara will pay a 2% NSR royalty from the sale of minerals produced from the North Otu Properties. The NSR will be calculated from the results of direct exploitation, through formalization contracts or subcontracts of operations or any figure that allows economic benefit as a result of the exploitation of minerals in these areas. Zara may, at its discretion at any time until June 28, 2021, reduce the NSR from 2% to 1%, paying the amount of US\$1,000,000 to OTU. This amount will be constituted by US\$750,000 in cash and US\$250,000 by the issuance of that number of common shares of the Company calculated based on the volume weighted average closing price of the Company's shares on the Exchange for the five trading days immediately before reduction of the NSR.

**Gold Road**

The Gold Road mineral property was classified as assets held for sale effective December 31, 2019. On March 27, 2020, the Company completed a sale of Z79 and its partially owned subsidiaries – Gold Road Mining Corp. and TRVE for the consideration of US\$1 to Aura Minerals (note 6).

**12. EXPLORATION AND EVALUATION ASSETS**

	June 30, 2020	December 31, 2019
	\$	\$
<b>Acquisition Cost</b>		
Balance, beginning of period	1	1
Additions through acquisition	-	-
Additions, during the period	-	-
Impairment charge	-	-
<b>Balance, end of the period:</b>	<b>1</b>	<b>1</b>
<b>Deferred Exploration Costs</b>		
Balance, beginning of the period	2,566,390	2,241,833
Acquired on business combination (note 7)	773,090	-
Addition during the year	40,925	804,634
Foreign exchange on mineral property	(581,626)	212,151
Transfer to Assets held for sale	-	(692,228)
<b>Balance, end of the period:</b>	<b>2,798,780</b>	<b>2,566,391</b>

**Tucumã gold project**

The Company owns a 100% interest in the Tucumã copper/gold exploration project, located in the Carajas metallogenic province in the State of Pará, Brazil. The annual fees for the concessions are approximately \$16,500. Prior to a concession expiring, the Company must present to the authority a technical report on the concession, which serves a basis for determining a renewal.

**Nechi Gold project**

As part of the Operadora acquisition (note 7) on May 28, 2020 the Company acquired mining titles to the Nechi Gold Project ("Nechi"), which itself is comprised of the El Catorce, Santa Elena, and Santa Maria gold exploration projects located in Bajo Cauca Antioqueño in Antioquia. The mineral rights to the Nechi include a 1.0% of Net Smelter Returns in the event that any Products are produced and sold from these Mineral Rights. The royalty is payable to Mineros S.A., the seller of Operadora.

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**13. PROPERTY, PLANT AND EQUIPMENT**

	Buildings & Infrastructure	Mineral Property	Equipment and Machinery	Office equipment	Vehicles	Construction in progress	Total
<b>Cost</b>	\$	\$	\$	\$	\$	\$	\$
<b>December 31, 2018</b>	<b>4,255,142</b>	-	<b>6,537,395</b>	<b>103,904</b>	<b>610,964</b>	<b>199,459</b>	<b>11,706,864</b>
Additions	13,269	-	142,030	3,993	27,140	590,544	776,976
Transfers	-	-	230,901	-	19,043	(230,901)	19,043
Foreign exchange	(199,078)	-	(311,591)	(4,954)	(29,273)	(25,646)	(570,542)
Transfer to Assets held for sale (note 6)	(3,211,645)	-	(1,099,725)	(11,018)	(403,898)	(368,771)	(5,095,057)
<b>December 31, 2019</b>	<b>857,688</b>	-	<b>5,499,010</b>	<b>91,925</b>	<b>223,976</b>	<b>164,685</b>	<b>6,837,284</b>
Acquired on business combination (note 7)	-	2,575,677	1,209,607	-	-	-	3,785,284
Additions	-	13,543	92,809	-	-	-	106,352
Foreign exchange	41,829	(31,140)	237,921	4,466	10,881	8,001	271,958
<b>June 30, 2020</b>	<b>\$ 899,517</b>	<b>\$ 2,558,080</b>	<b>\$ 7,039,347</b>	<b>\$ 96,391</b>	<b>\$ 234,857</b>	<b>\$ 172,686</b>	<b>\$ 11,000,878</b>
	Buildings & Infrastructure	Mineral Property	Equipment and Machinery	Office equipment	Vehicles	Construction in progress	Total
<b>Accumulated Depreciation</b>	\$	\$	\$	\$	\$	\$	\$
<b>December 31, 2018</b>	<b>101,461</b>	-	<b>866,155</b>	<b>40,759</b>	<b>48,895</b>	-	<b>1,057,270</b>
Depreciation	337,282	-	647,758	17,729	176,756	-	1,179,525
Foreign exchange	(34,356)	-	(246,010)	(9,828)	(17,795)	-	(307,989)
Transfer to Assets held for sale (note 6)	(292,068)	-	(194,990)	(5,466)	(149,419)	-	(641,943)
<b>December 31, 2019</b>	<b>112,319</b>	-	<b>1,072,913</b>	<b>43,194</b>	<b>58,437</b>	-	<b>1,286,863</b>
Depreciation	15,595	92,140	263,282	4,366	8,844	-	384,227
Foreign exchange	5,363	-	52,868	1,994	2,821	-	63,046
<b>June 30, 2020</b>	<b>133,277</b>	<b>92,140</b>	<b>1,389,063</b>	<b>49,554</b>	<b>70,102</b>	-	<b>1,734,135</b>
<b>Net Book Value</b>							
December 31, 2019	745,370	-	4,426,098	48,731	165,538	164,685	5,550,421
<b>June 30, 2020</b>	<b>766,240</b>	<b>2,465,940</b>	<b>5,650,284</b>	<b>46,837</b>	<b>164,755</b>	<b>172,686</b>	<b>9,266,742</b>

\*The Company made the assessment of the acquired assets pursuant to the Gold Road acquisition; refer to Note 6 for more details. As a result, some assets were reclassified from machinery to other categories (buildings, office equipment and vehicles).

**El Bagre Properties**

As part of the Operadora acquisition on May 28, 2020 (note 7) the Company acquired the El Bagre Underground Gold Operations which consists of the La Ye and Los Mangos operating underground gold mines and the Cordero mine development project. The on-site extraction plant processes approximately 350 tpd of material and typically produces some 20,000 oz of gold doré annually. The mineral rights associated with the El Bagre operations include a 1.0% of NSR on any products, in excess of first 17,000 oz, produced and sold from these Mineral Rights. The royalty is payable to Mineros S.A., the seller of Operadora and payable in perpetuity for as long as products are produced and sold from the mine properties.

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**EI Limon**

During the three and six months ended June 30, 2020, \$100,188 and \$203,647 of depreciation was capitalized to mineral properties and \$6,421 and \$13,210 was recorded as depreciation expense

**14. BUSINESS ACQUISITION PAYABLE**

**June 30, 2020**

	\$
<b>Opening balance</b>	-
Cash consideration to acquire Operadora (i)	6,190,335
Contingent consideration to acquire Operadora (ii)	1,814,037
Effect of foreign exchange difference	(74,661)
<b>Business acquisition payable</b>	<b>7,929,711</b>
Less: current portion of business acquisition payable (i)	(6,115,674)
<b>Long-term portion of business acquisition payable:</b>	<b>1,814,037</b>

- (i) Represents the remaining portion of cash consideration on Operadora acquisition (note 7) in the amount of \$6,190,335 CAD (US \$4.5 million). Remaining cash consideration is due to Mineros S.A. ("Mineros") by September 4, 2020
- (ii) Represents the present value of contingent consideration associated with the acquisition of Operadora (note 7). The consideration is related to future royalty payments due to Mineros on all future products sold from the mining operation acquired.

**15. RELATED PARTY TRANSACTIONS**

All amounts due to related parties are unsecured, non-interest bearing, and have no specific terms of repayment unless otherwise stated. Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties. The Company paid or accrued remunerations to its directors and officers during the three and six months ended June 30, 2020 and 2019 are as follows:

	Three months ended June 30,		Six months ended June 30,	
	2020 \$	2019 \$	2020 \$	2019 \$
Consulting for Management Services	78,927	84,743	155,553	162,883
Salaries and benefits	101,587	141,040	255,557	325,190
Share-based compensation	2,083	9,374	2,500	18,747
<b>Total</b>	<b>182,597</b>	<b>235,157</b>	<b>413,610</b>	<b>506,820</b>

As at June 30, 2020 the Company had \$20,184,015 (2019 - \$15,354,070) in amounts owing to related parties. These amounts were loaned to the Company and consisted of the following:

- \$183,399 (2019 - \$nil) was owing to a private company controlled by the Executive Chairman, the amounts owing bear interest at 1% per month, compounded monthly and due on demand.

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- During the three and six months ended June 30, 2020 the Company also paid \$8,190 and 16,380 of office rent to a Company controlled by the Executive Chairman (three and six months ended 2019 - \$5,888 and \$11,776, respectively), respectively.
- \$89,702 (2019 - \$23,252) was owing to a private company which is controlled by the director of the Company.
- \$19,535,158 (2019 - \$15,147,419) owed to the company controlled by the director and shareholder.

\$350,631 (2019 - \$294,449) was due to the executives of the Company, the amounts owing are non-interest bearing and due on demand. This amount is included in accounts payable and accrued liabilities.

**16. DUE TO RELATED PARTIES**

**a) Convertible Subordinated Note**

On August 3, 2018, the Company restructured the Conex loans, Conterra loan and Gold secured loan, whereby all outstanding loans and accrued interest, previously made to the Company and to its subsidiary Gold Road were converted into a five-year Convertible Subordinated Note, convertible into common shares of the Company. The face value of the convertible subordinated note is \$11,996,078. The interest is compounded monthly at 12% and principal and compounded interest are repayable at the end of the term to Conex Services Inc., a related party. The principal may be converted into common shares of the Company at the following conversion prices:

- Between months 1-36 at \$0.30 per common share
- Between months 37-60 at \$0.40 per common share

On December 21, 2018, the Company restructured the remaining balance of the Conex loans. The Company recognized a loss of \$242,745 from debt extinguishment, which is included in loss from debt settlement in the statement of loss, due to transaction costs of \$37,880 incurred and difference in value of loan extinguished and value of loan assumed.

	<b>Conex Loans</b>	<b>Conterra Loan</b>	<b>Gold Secured Loan</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Balance, December 31, 2017</b>	<b>4,367,781</b>	<b>3,930,699</b>	<b>1,254,500</b>	<b>9,552,980</b>
Additions	1,101,460	-	-	1,101,460
Interest and accretion	654,505	297,750	-	952,255
Foreign exchange on translation	-	140,718	43,800	184,518
Fair value of the convertible subordinated note	(6,328,611)	(4,369,167)	(1,298,300)	(11,996,078)
Loss from debt extinguishment	204,865	-	-	204,865
<b>Balance, December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

Management used an effective interest rate of 24% to estimate the present value of a liability component (\$6,715,636) of the convertible subordinated note, the residual value of \$5,280,442 was classified as a contributed surplus on the statement of financial position. The tax impact of \$1,425,719 was recorded against

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the contributed surplus, see Note 19 for more details. The loan balances and changes up to June 30, 2020 were as follows:

	\$
<b>Balance, December 31, 2018</b>	<b>7,297,780</b>
Interest	1,985,049
<b>Balance, December 31, 2019</b>	<b>9,282,829</b>
Interest	1,162,264
<b>Balance, June 30, 2020</b>	<b>10,445,093</b>

Conex credit facility

The Company received funding from a related party. The funds received pursuant to the credit facility bear no interest and are due on demand.

<b>Balance, December 31, 2019</b>	<b>\$5,864,590</b>
Additions	3,225,475
<b>Balance, June 30, 2020</b>	<b>\$9,090,065</b>

#### 17. ASSET RETIREMENT OBLIGATIONS

The Company estimated its asset retirement obligations based on its understanding of the requirements to reclaim and remediate its property based on its activities to date.

	June 30, 2020	December 31, 2019
	\$	\$
<b>Opening balance</b>	-	-
Assumed as part of business combination	344,155	-
<b>Balance, end of period</b>	<b>\$ 344,155</b>	<b>\$ -</b>

#### 18. SHARE CAPITAL

Refer to note 4 for information regarding the Company's 2020 share consolidation.

##### Authorized

Unlimited common shares without par value.

<b>Issued and outstanding</b>	<b>Number of Shares</b>	<b>Amount (\$)</b>
<b>Balance, December 31, 2018</b>	<b>16,421,824</b>	<b>26,128,752</b>
Common shares issued pursuant to private placement, net of share issue costs (i,ii)	13,474,929	15,408,694
Common shares issued to settle liabilities (i,ii)	436,612	495,245
Preferred shares issued (iii)	-	135,942
<b>Balance, December 31, 2019</b>	<b>30,333,365</b>	<b>42,168,633</b>

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Common shares issued on exercise of stock options (iv)	60,000	51,608
Cancellation of preferred share subscriptions (iii)	-	(135,635)
<b>Balance, June 30, 2020</b>	<b>30,393,365</b>	<b>42,084,606</b>

- (i) On May 3, 2019, the Company closed a non-brokered private placement consisting of 29,025,667 units at \$0.18 per PP Unit for gross proceeds of \$5,224,620. Each PP Unit consists of one common share of the Company and one-half share purchase warrant. Each warrant is exercisable for a period 1.5 years from the date of issuance at an exercise price of \$0.25, subject to certain acceleration clauses. The Company estimated fair value of the warrants to be \$Nil using the residual method, first allocating value to the common shares. The Company incurred cash share issue costs of \$45,132. On the same date, the Company issued 566,121 PP Units to settle liabilities of \$101,902.
- (ii) On September 27, 2019, the Company closed a non-brokered private placement consisting of 105,723,621 units at \$0.10 per PP Unit for gross proceeds of \$10,572,362. Each PP Unit consists of one common share of the Company and one share purchase warrant. Each warrant is exercisable for a period two (2) years from the date of issuance at an exercise price of \$0.15, subject to certain acceleration clauses. The Company estimated fair value of the broker warrants to be \$Nil using the residual method, first allocating value to the common shares. The Company incurred cash share issue costs of \$207,646 and non-cash share issue costs of \$40,509 (667,450 broker warrants). On the same date, the Company issued 3,800,000 PP Units to settle liabilities of \$380,000.
- (iii) In June 2019, the Company issued 408,000 preferred shares at a par value of US\$0.25 for gross proceeds of US\$102,000 (\$135,942 equivalent in Canadian dollars). The Company cancelled preferred share subscriptions in June 2020, the amounts owed to subscribers are classified as loans in the consolidated financial statements.
- (iv) In January 2020, the Company issued 60,000 common shares of the Company for exercised stock options.

**Stock options**

The Company's stock options outstanding as at June 30, 2020 and December 31, 2019 and the changes for the periods then ended are as follows:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price \$</b>	<b>Weighted Average Remaining Contractual Life (years)</b>
<b>Balance, December 31, 2018</b>	<b>1,124,000</b>	<b>2.10</b>	<b>2.97</b>
Granted	21,000	1.50	4.22
Forfeited	(20,000)	1.50	4.22
Expired	(234,000)	1.80	-
<b>Balance, December 31, 2019</b>	<b>891,000</b>	<b>2.21</b>	<b>2.71</b>
Granted	-	-	-
Exercised	(60,000)	0.50	0.01
Expired	(100,000)	1.50	-
<b>Balance, June 30, 2020</b>	<b>731,000</b>	<b>2.35</b>	<b>1.92</b>

During the six months ended June 30, 2020 the Company issued nil (the three months ended 2019 – 21,000) options to employees with various vesting terms. The Company fair valued the options at using the Black-Scholes option pricing model using the following inputs for various grants:

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	March 22, 2019	February 23, 2018
Risk free rate	1.48%	2.04%
Expected life	5 years	5 years
Expected volatility	104.8%	131.0%
Forfeiture rate	Nil	Nil
Expected dividends	Nil	Nil

Stock options outstanding and exercisable at June 30, 2020 are as follows:

Expiry Date	Exercise Price \$	Options Outstanding	Options Exercisable
July 1, 2020	2.50	30,000	30,000
January 28, 2021	0.90	92,500	92,500
October 28, 2021	2.20	80,000	80,000
January 10, 2022	1.80	30,000	30,000
December 14, 2022	1.50	72,500	57,500
February 23, 2023	2.30	200,000	200,000
May 10, 2023	2.25	25,000	25,000
July 3, 2023	3.00	100,000	100,000
July 3, 2023	4.00	100,000	100,000
March 22, 2024	1.90	1,000	1,000
	<b>2.35</b>	<b>731,000</b>	<b>716,000</b>

Stock options outstanding and exercisable at December 31, 2019 are as follows:

Expiry Date	Exercise Price \$	Options Outstanding	Options Exercisable
July 1, 2020	2.50	30,000	30,000
January 28, 2021	0.90	92,500	92,500
October 28, 2021	2.20	80,000	80,000
January 10, 2022	1.80	30,000	30,000
December 14, 2022	1.50	172,500	119,167
February 23, 2023	2.30	200,000	200,000
May 10, 2023	2.25	25,000	25,000
July 3, 2023	3.00	100,000	25,000
July 3, 2023	4.00	100,000	25,000
March 22, 2024	4.00	1,000	1,000
	<b>2.25</b>	<b>831,000</b>	<b>777,667</b>

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**Warrants**

The Company's warrants outstanding as at June 30, 2020 and December 31, 2019 and the changes for the three months ended June 30, 2020 are as follows:

	<b>Number of Warrants</b>	<b>Exercise Price \$</b>
<b>Balance, December 31, 2018</b>	<b>2,505,590</b>	<b>2.90</b>
Issued	12,516,218	1.60
Expired	(389,289)	3.00
<b>Balance, December 31, 2019</b>	<b>14,632,519</b>	<b>1.79</b>
Issued	-	-
Expired	-	-
<b>Balance, June 30, 2020</b>	<b>14,632,519</b>	<b>1.79</b>

Warrants outstanding as at June 30, 2020 were as follows:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Outstanding Warrants</b>
November 2, 2020	2.50	1,479,590
June 5, 2021	3.00	1,404,900
June 28, 2021	3.00	302,500
July 11, 2021	3.00	176,421
September 27, 2021	2.50	7,469,071
October 8, 2021	2.50	1,574,200
October 25, 2021	2.50	541,850
November 1, 2021	2.50	1,433,987
April 4, 2023	2.00	250,000
		<b>14,632,519</b>

Weighted average remaining contractual life is 1.16 years.

Warrants outstanding as at December 31, 2019 were as follows:

<b>Expiry Date</b>	<b>Exercise Price \$</b>	<b>Outstanding Warrants</b>
November 2, 2020	2.50	1,479,590
June 5, 2021	3.00	1,404,900
June 28, 2021	3.00	302,500
July 11, 2021	3.00	176,421
September 27, 2021	2.50	7,469,071
October 8, 2021	2.50	1,574,200
October 25, 2021	2.50	541,850
November 1, 2021	2.50	1,433,987
April 4, 2023	2.00	250,000
		<b>14,632,519</b>

Weighted average remaining contractual life is 1.6 years.

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## **19. FINANCIAL INSTRUMENTS**

### **Fair values**

The carrying value of cash, receivables, accounts payable and accrued liabilities, loans and due to related parties approximate their fair values due to the immediate or short-term nature of these instruments.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

### **Capital and Risk Management**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and to bring its mineral properties to commercial production.

To date, the Company has depended on external financing to fund its activities. The capital structure of the Company currently consists of equity attributable to shareholders of (\$14,307,748) (December 31, 2019 – \$(9,115,679)). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets, being mineral properties. In order to maintain or adjust the capital structure, the Company may issue new shares through equity offerings or sell assets to fund operations. Management reviews its capital management approach on a regular basis and there have been no changes to the Company's approach during the three months ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

### **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is subject to interest rate risk with respect to its cash; however the risk is minimal because of their short-term maturity. All of the Company's interest-bearing debt instruments have fixed interest rates and are not subject to interest rate cash flow risk.

### **Liquidity risk**

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company generally relies on funds generated from external financing or key management to provide sufficient liquidity to meet budgeted operating requirements. Taking into consideration the Company's current cash position, volatile equity markets, global uncertainty in the capital markets and increasing cost pressures, the Company is continuing to review its needs to seek financing opportunities in accordance to its capital risk management strategy. The Company had cash of \$1,309,555 and \$45,149 as at June 30, 2020 and December 31, 2019, respectively.

### **Foreign currency risk**

Foreign currency risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company maintains financial instruments and enters into transactions denominated in foreign currencies, principally in USD, which exposes the Company to fluctuating balances and cash flows due to various foreign exchange rates. As at June 30, 2020, the CAD equivalent carrying amounts of the Company's USD denominated monetary assets and liabilities was \$38,000 (\$37,707 as at December 31, 2019) and \$345,094 (\$235,685 as at December 31, 2019), respectively.

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**20. SEGMENT REPORTING**

The Company's non-current assets by country are as follows:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
Brazil	\$2,037,712	\$2,569,883
Colombia	12,279,712	5,546,930
<b>Total</b>	<b>\$14,317,424</b>	<b>\$8,116,813</b>

**21. CONTINGENT ASSET**

The Company submitted an insurance claim for US\$866,000 (\$1,180,185 CAD equivalent) to the insurance provider to recoup the value of stolen gold due to the theft that occurred on June 4, 2020. A contingent asset was not recognized on the statement of financial position because the criteria for recognition of an asset were not met as at June 30, 2020.

**22. SUBSEQUENT EVENTS**

On July 6, 2020, the company announced that it has closed its non-brokered private placement (the "Private Placement") in the amount of \$4,440,000. The private placement was originally announced on May 29, 2020 for \$3.75 million and was over-subscribed by \$690,000. The Company has issued 29,599,997 common shares and 29,599,997 share purchase warrants (each a "Warrant"). Each Warrant entitles the holder to acquire one common share of the Company for a period of 2 years at a price of C\$0.25. Two insiders of the Company participated in the Private Placement and subscribed to a total of 20,344,798 Units for proceeds of \$3,051,719.70. Finders' fees in cash and 54,600 non-transferable finder's warrants (having the same terms as the private placement warrants) were issued to registrants in connection with this closing. All securities issued in the Private Placement are subject to a hold period of 4 months from closing. In addition, the company also announced that subject to regulatory approval, the grant of a total of 2,025,000 stock options to directors, employees, and consultants. The options vest immediately and are issued at an exercise price of 19 cents per common share and expire five years from the date of issuance.

On August 5, 2020 the company also announced that, subject to TSXV approval, it has entered into an agreement with Conex Services Inc., ("Conex") Soma's largest shareholder, whereby Conex will, effective July 31, 2020, consolidate all existing advances, loans and accrued interest into one new Subordinated Loan. Certain of the advances include convertible debt instruments issued August 3, 2018. The loan is for a total of C \$18,295,140.35 and has a ten-year term with interest of 12% per annum, compounded quarterly. Interest accrues for the first four years with monthly payments of principal and interest, amortized over the remaining six years. The loan is not convertible into shares of Soma and there is no pre-payment penalty. In connection with the loan, the Company will issue 5,500,000 Share Purchase Warrants to Conex. Each Share Purchase Warrant allows Conex to purchase one full Common Share at an exercise price of \$0.66 per share, for 3 years.