



**Solomon Gold plc**

SOLOMON GOLD PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2007

# Corporate Information

## **DIRECTORS**

Nicholas Mather (Chief Executive Officer)  
Cameron Wenck (Non-Executive Chairman)  
Brian Moller (Non-Executive Director)  
Dr Robert Weinberg (Non-Executive Director)

## **COMPANY SECRETARY**

Duncan Cornish

## **REGISTERED OFFICE**

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United Kingdom

Registered Number 5449516

## **AUSTRALIAN OFFICE**

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## **AUDITORS**

PKF (UK) LLP  
Farringdon Place, 20 Farringdon Road  
London EC1M 3AP

## **NOMINATED ADVISOR**

RFC Corporate Finance Ltd  
Level 14, 19-31 Pitt Street  
Sydney NSW 2000, Australia

## **BROKER**

Hanson Westhouse Ltd  
One Angel Court, London EC2R 7H  
United Kingdom

## **BANKERS**

Macquarie Bank Ltd (Brisbane Branch)  
300 Queen Street, Brisbane QLD 4000  
Australia

## **SOLICITORS**

Faegre & Benson LLP  
7 Pilgrim Street, London EC4V 6LB  
United Kingdom

## **AUSTRALIAN SOLICITORS**

Hopgood Ganim  
Level 8, Waterfront Place  
1 Eagle Street, Brisbane QLD 4000

## **REGISTRARS**

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

## Chairman's Statement

During the six month period to the end of December 2007, Solomon Gold made its most impressive gold discovery to date. The Company intersected 32m @ 9.45 g/t gold in the Valehailala Creek area of the Sutakiki Prospect, on Guadalcanal, the main island of Solomon Islands. The discovery, within a mineralized zone some 50 m wide, was encountered at a depth of 108 to 140 metres in drillhole SK11. Mineralogical studies on the samples concluded that the mineralization was part of a significant intrusive system which has encouraged Solomon Gold to explore for extensions to the mineralization at depth and along strike. Importantly the mineralization in the host rocks besides the vein shows characteristics typical of extensive zones of mineralization commonly found in large porphyry-related mineral systems, providing the Company with more extensive targets. To date, two successful holes, SK 11 and SK13 have been drilled. Unfortunately SK12 had to be abandoned before reaching the predicted depth of the mineralized zone owing to bad ground conditions. The Company is awaiting assay results for SK13. Drillhole SK14 is currently at 167 metres depth and has a total planned depth of 500 metres. Solomon Gold geologists have identified mineralization associated with the main structure at Sutakiki, the Sutakiki fault, over a strike length of 800 metres.

Since floating on AIM in February 2006 Solomon Gold has been exploring the island of Guadalcanal, Solomon Islands, on the South West Pacific "Rim of Fire", the highly active earthquake and volcanic zone at the margin of the Australasian and Pacific Continental plates. Similar locations around the Pacific are renowned for being highly metalliferous and hosting numerous large gold and copper deposits. On Guadalcanal, Solomon Gold has identified a set of structural features which are believed to have channeled mineralizing fluids and should be prospective for significant copper-gold deposits as a result. The main structure, the Guadalcanal transform fault appears to localize several copper and gold prospects over a length of 20km in Solomon Gold's prospect licence areas at Kolokoo, Chikora, Mbina, Sutakiki and culminates in the 2m oz Gold Ridge gold deposit north of Solomon Gold's Sutakiki license area. The presence of the Gold Ridge deposit, interpreted to be located on the northern edge of the mineralized system located in Sutakiki is encouraging testimony to the gold endowment of the system. Solomon Gold geologists have identified a complex mineralized area now outcropping over 30km<sup>2</sup>. Our strong view is that this represents a highly mineralized porphyry system which is the most likely host for a significant discovery. Encouragingly, Sutakiki is located within this target zone.

The discovery at Sutakiki underscores the potential for a world class gold and copper deposit in the Solomon Gold exploration tenements. Since the discovery work has been focused in the area on the delineation of the controlling structures and mineralizing processes. This has involved a very extensive mapping and sampling program, complete with altitude differential surveys to enable accurate positioning of the data points in rough terrain.

As part of this focused effort at Sutakiki, the company has contracted for an airborne electromagnetic survey which is designed to show conductive sulphide bodies and resistive quartz vein structures, in order to prioritise the many targets which have been generated by Solomon Gold field mapping and sampling programs. The gold rich intersection in drillhole SK11 is sulphide rich and it is expected that such zones will show up well on the airborne electromagnetic survey, making it a very good diagnostic tool. It is expected that the survey will be undertaken over an area of some 155 km<sup>2</sup> over the Sutakiki and Koloula valleys in late March and April 2008. The survey will also collect a new state of the art set of magnetic data which will be interpreted along with the EM data.

The Company currently has three drilling rigs contracted, conducting core hole drilling in the Koloula and Sutakiki Valleys. Recently the Company has relocated a second drilling rig to the Sutakiki Project area to expedite the testing of numerous targets including a zone at least 50 m wide along an 800 metre strike length. Six additional drill pads have been prepared and the company expects that the focused effort will deliver faster results with improved efficiencies.

During the half year the Company drilled 4,408 metres, making a total of 9452 metres drilled on the Solomons project to date. The Company drilled 4 holes for 1,789 metres at Mbina, 2 holes for 697 metres at Chikora and 13 holes for 6,057 metres at Sutakiki where the bulk of the effort was focused. Extensive zones of low grade gold mineralization were located at the Mbina prospect and the

concentration of gold in narrow, sulphide rich veins grading up to 6.7 g/t gold in core and over 70 g/t in outcrop lends support to the airborne electromagnetic program as a diagnostic tool.

The Company also commenced exploration work on areas prospective for nickel laterites on Makira, East Guadalcanal and Ngella in the Floridas Group. Nickeliferous laterites were found to exist over some 10km<sup>2</sup> in the Ngella area and a detailed program of pitting, augering and sampling was conducted. The Company is waiting completion of assay results over the main areas at Ngella.

Solomon Gold also applied for exploration areas over Fauro Island in the western provinces, south of the Island of Bougainville, where the massive Panguna Porphyry system is located.

Solomon Gold employs three Australian geologists, one PNG expat geologist and four local Solomon Island geologists supported by a team of local field hands and labourers from Villages located within the project areas. The Company enjoys unprecedented access to areas not previously investigated by exploration crews, based on the relationships developed between Solomon Gold plc and the local people.

Happily the Company had no lost time injury incidents during the period and attribute this to the high level of planning which goes into the conduct of the field operations.

Cameron Wenck  
Chairman

Date: 4 March 2008

# Consolidated Income Statement

for the six months ended 31 December 2007

	Notes	Six months to 31 Dec 2007 A\$	Six months to 31 Dec 2006 A\$	Year Ended 30 June 2007 A\$
<b>Continuing operations</b>				
Revenue		-	-	-
Cost of sales		-	-	-
<b>Gross Profit</b>		-	-	-
Other operating income		60,825	3,278	3,302
Administrative expenses		(858,722)	(611,941)	(1,552,102)
Exploration costs written off		-	-	-
<b>Operating loss</b>		<b>(797,897)</b>	<b>(608,663)</b>	<b>(1,548,800)</b>
Finance income		72,449	179,223	347,154
<b>Loss for the period</b>		<b>(725,448)</b>	<b>(429,440)</b>	<b>(1,201,646)</b>

	Notes	Six months to 31 Dec 2007 A\$	Six months to 31 Dec 2006 A\$	Twelve months to 30 June 2007 A\$
<b>Basic and diluted loss per ordinary share</b>				
- basic and diluted	5	(0.0164)	(0.0160)	(0.0448)

# Consolidated Balance Sheet

at 31 December 2007

	Note	31 Dec 2007 A\$	31 Dec 2006 A\$	30 June 2007 A\$
<b>Assets</b>				
Property, plant and equipment		252,640	272,050	273,969
Intangible assets		10,552,359	3,776,726	6,799,726
<b>Total non-current assets</b>		<b>10,804,999</b>	<b>4,048,776</b>	<b>7,073,695</b>
Other receivables and prepayments		3,764,270	348,595	381,724
Cash and cash equivalents		3,546,668	6,714,363	3,450,530
<b>Total current assets</b>		<b>7,310,938</b>	<b>7,062,958</b>	<b>3,832,254</b>
<b>Total assets</b>	2	<b>18,115,937</b>	<b>11,111,734</b>	<b>10,905,949</b>
<b>Equity</b>				
Issued share capital		1,033,527	631,679	631,679
Share premium		17,428,590	10,752,408	10,752,408
Other reserves		1,396,576	423,616	849,251
Retained losses		(2,579,416)	(1,081,762)	(1,853,968)
<b>Total equity</b>		<b>17,279,277</b>	<b>10,725,942</b>	<b>10,379,370</b>
<b>Liabilities</b>				
Trade and other payables		836,660	385,792	526,579
Interest-bearing loans and borrowings		-	-	-
<b>Total current liabilities</b>		<b>836,660</b>	<b>385,792</b>	<b>526,579</b>
<b>Total liabilities</b>		<b>836,660</b>	<b>385,792</b>	<b>526,579</b>
<b>Total equity and liabilities</b>		<b>18,115,937</b>	<b>11,111,734</b>	<b>10,905,949</b>

Cameron Wenck  
Chairman

Date: 4 March 2008

## Consolidated statement of changes in shareholders' equity

	Note	Share capital A\$	Share premium A\$	Share option reserve A\$	Warrants reserve A\$	Retained loss A\$	Total A\$
<b>Balance at 1 July 2006</b>		631,679	10,752,408	217,071	172,803	(652,322)	11,121,639
Loss for the period		-	-	-	-	(429,440)	(429,440)
<i>Employee share option scheme:</i>							
- value of services provided		-	-	33,742	-	-	33,742
<b>Balance 31 Dec 2006</b>		631,679	10,752,408	250,813	172,803	(1,081,762)	10,725,942
Loss for the period		-	-	-	-	(772,206)	(772,206)
Adjustment to share capital		-	-	-	-	-	-
<i>Employee share option scheme:</i>							
- value of services provided		-	-	425,635	-	-	425,635
<b>Balance 30 June 2007</b>		631,679	10,752,408	676,448	172,803	(1,853,968)	10,379,370
Loss for the period		-	-	-	-	(725,448)	(725,448)
Adjustment to share capital		401,848	6,831,422	-	-	-	7,233,270
Share Issue costs		-	(155,240)	-	-	-	(155,240)
<i>Employee share option scheme:</i>							
- value of services provided		-	-	547,325	-	-	547,325
<b>Balance 31 Dec 2007</b>	3	1,033,527	17,428,590	1,223,773	172,803	(2,579,416)	17,279,277

# Consolidated statement of cash flows

for the six months ended 31 December 2007

	Notes	Six months to 31 Dec 2007 A\$	Six months to 31 Dec 2006 A\$	Year Ended 30 June 2007 A\$
<b>Cash flows from operating activities</b>				
Operating loss from continuing operations		(725,448)	(429,440)	(1,201,646)
Depreciation		26,362	11,553	28,955
Share based payment expense	4	547,325	33,742	459,377
(Increase)/decrease in other receivables and prepayments		26,765	(90,918)	(124,046)
(Decrease)/increase in trade and other payables		310,082	(27,914)	39,947
Forgiveness of loan liability		-	(72,924)	-
<b>Cash used in operations</b>		<b>185,086</b>	<b>(575,901)</b>	<b>(797,413)</b>
<b>Net cash outflow from operating activities</b>		<b>185,086</b>	<b>(575,901)</b>	<b>(797,413)</b>
<b>Cash flows from investing activities</b>				
Acquisition of property, plant and equipment		(5,033)	(212,414)	(231,735)
Acquisition of intangible assets		(3,752,633)	(1,574,778)	(4,597,778)
Payment for subsidiaries net of cash acquired		-	-	-
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,757,666)</b>	<b>(1,787,192)</b>	<b>(4,829,513)</b>
<b>Cash flows from financing activities</b>				
Proceeds from the issue of ordinary share capital		3,823,958	-	-
Refund/(payment) of issue costs		(155,240)	-	-
<b>Net cash inflow from financing activities</b>		<b>3,668,718</b>	<b>-</b>	<b>-</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>96,138</b>	<b>(2,363,093)</b>	<b>(5,626,926)</b>
Cash and cash equivalents at beginning of period		3,450,530	9,077,456	9,077,456
<b>Cash and cash equivalents at end of period</b>		<b>3,546,668</b>	<b>6,714,363</b>	<b>3,450,530</b>

# Notes to the consolidated financial statements

## NOTE 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are presented in Australian dollars (“A\$”) and have been prepared on the historical cost basis or the fair value basis, where the fair valuing of relevant assets and liabilities has been applied.

The Company was incorporated on 11 May 2005. The Group has elected, from incorporation, to prepare annual consolidated financial statements in accordance with IFRSs.

The interim financial information set out on pages 5 to 8 have been prepared on the same basis and using the same accounting policies as were applied in drawing up the company’s statutory financial statements for the year ended 30 June 2007.

The financial information for the six months ended 31 December 2007 is unaudited. In the opinion of the directors the financial information for this period presents fairly the financial position, results of operations and cash flows for the period in conformity with generally accepted accounting principles. The financial information for the twelve months ended 30 June 2007 has been derived from the Group’s audited financial statements for the period as filed with the Registrar of Companies. It does not constitute the financial statements for that period. The auditors’ report on the statutory financial statements for the period ended 30 June 2007 was unqualified and did not contain any statement under Section 327(2) or (3) of the Companies Act 1985.

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. Further funding is raised as and when required. When any of the Group’s projects move to the development stage, specific financing will be required.

The Company recently completed (in December 2007) an equity fund raising that enables it to proceed with its approved annual plan of expenditure and to provide adequate working capital. The directors have therefore concluded that the Group is a going concern.

The directors are of the opinion that a capital raising towards the end of 2008 may be required to supplement existing reserves so as to ensure the Company has adequate cash reserves to meet its ongoing exploration and appraisal activities. Whilst the directors are confident that such funding will be available there can be no guarantee that this will be the case.

## NOTE 2 SEGMENT REPORTING

The Group currently operates one business and geographical segment being mineral exploration in Solomon Islands.

## NOTE 3 CAPITAL AND RESERVES

### Shares issued

During the period the company issued 17,500,000 shares for a cash consideration of A\$7,233,271 (less share issue costs of A\$155,240).

### Share options and warrants

The share option reserve is in respect of the expense recognised in the Income Statement based on the fair value of share options issued since February 2006. The Company issued share options in December 2007 (see note 4 for details).

### Other reserves

A separate warrants reserve holds the cumulative expense based on the fair value of the 326,000 warrants issued to Williams de Broë (renamed Evolution Securities Limited).

### Dividends

The directors do not recommend the payment of a dividend.

#### NOTE 4 SHARE BASED PAYMENTS

The Company granted 1,380,000 share options to management and staff on 31 December 2007 at exercise prices between 25 pence and 75 pence per ordinary share. The closing price of the Company's shares on the previous day was 20 pence. The options are exercisable between 31 December 2007 and 31 December 2010. The share options granted on 31 December 2007 had a total fair value of A\$371,445 being fully expensed during the half year ended 31 December 2007.

On 31 December 2007, the Company also granted 500,000 share options for nil consideration to RFC Corporate Finance Limited ("RFC"), the Company's nominated advisor ("NOMAD"). These share options were granted at an exercise price of 20 pence per ordinary share and can be exercised up to 8 November 2010. The share options granted had a total fair value of A\$161,898 and were fully expensed during the half year ended 31 December 2007.

#### NOTE 5 LOSS PER SHARE

The calculation of total loss per ordinary share on total operations is based on losses of A\$725,448 (six months to 31 December 2006: A\$429,440 and period to 30 June 2007: A\$1,201,646) and the weighted average number of ordinary shares outstanding of 44,325,001 (26,825,001 for the six months to 31 December 2006 and 26,825,001 period to 30 June 2007). There is no difference between the diluted loss per share and the loss per share presented as the share options in issue were not considered dilutive.

At 31 December 2007 there were 4,269,997 (30 June 2007: 2,389,997, and 31 December 2006: 2,389,997) share options on issue.

#### NOTE 6 COMMITMENTS

As noted in the Company's 2007 Annual Report, pursuant to a contract for the provision of a helicopter to assist in exploration and drilling, the Group has a commitment to pay A\$772,800 (2006: A\$720,000) (in equal monthly payments) between 12 May 2007 and 12 May 2008. The commitment relates to a minimum usage (flying hours) of the helicopter over the commitment period. The remaining commitment at 31 December 2007 was A\$257,600 (2006: A\$120,000). The Group expects to utilise the minimum flying hours over the remaining commitment period.

#### NOTE 7 RELATED PARTIES

- a) Transactions with Directors and Director-Related Entities
- (i) Solomon Gold Plc has entered into an Administration and services agreement with D'Aguilar Gold Ltd, an entity associated with Nicholas Mather (a director) and Brian Moller (a director) whereby D'Aguilar Gold Ltd has agreed to provide certain services including the provision by D'Aguilar Gold of its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ('Services'). In consideration for the provision of the Services, the Company shall reimburse D'Aguilar Gold Ltd for any expenses incurred by it in providing the Services. Under the terms of the Administration and Services Agreement, D'Aguilar Gold is required to provide its services for a period ending on 10 February 2008. The Administration Services Agreement may be terminated upon the occurrence of an insolvency event of the other party, a failure to remedy a material breach of the Administration Services Agreement by the other party or upon three months written notice to the other party. D'Aguilar Gold Ltd was paid A\$12,282 (2006: A\$8,376) for the provision of administration, management and office facilities to the Company during the half year.
- (ii) Mr Brian Moller (a director), is a partner in the Australian firm Hopgood Ganim Lawyers. Hopgood Ganim were paid A\$32,635 (2006: A\$85,170) for the provision of legal services to the Company during the year. These services were based on normal commercial terms and conditions.
- (iii) Solomon Gold Plc has a professional services agreement with Australian Resource Management (ARM) Pty Ltd to provide certain management services to ARM. During the period, A\$14,031 (2006: A\$32,256) was paid to the Company for the provision of professional services.

#### NOTE 8 SUBSEQUENT EVENTS

On 31 January 2008 the Company granted 1,000,000 share options, for nil consideration, to directors of the Company.