



Solomon Gold plc

SOLOMON GOLD PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

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

Kevin Nagle

REGISTERED OFFICE

7 Pilgrim Street, London EC4V 6LB
United Kingdom

Registered Number 5449516

AUSTRALIAN OFFICE

Level 5, 60 Edward Street, Brisbane QLD 4000
Phone: + 61 7 3303 0660
Fax: +61 7 3303 0681
Email: info@solomongold.com
Web Site: www.solomongold.com

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

Dear Shareholder,

In the half year to 31 December, Solomon Gold embarked on a renewed phase of target generation in its extensive Guadalcanal, Solomon Islands project. The area lies on the south west Pacific Rim of Fire, a region which hosts some of the world's largest gold and copper mines. Such is the combination of prospectivity, areal extent and the Solomon Gold operating capacity on Guadalcanal that the Board believes that further investment in the search for a world class deposit is very much warranted.

Crisis in the credit markets has spilled over into the equity markets to the extent that raising equity funds for companies at our stage of development has become very difficult. In common with other exploration companies Solomon Gold has therefore been forced to review its operations and budgets with a view to conserving its cash resources. Accordingly the style of exploration has been changed markedly to reliance on a much more extensive regional style of exploration involving intense mapping, sampling and geophysical programs. The Company has recently completed a further geophysical survey over the prospective areas, the results are being reviewed currently and the interpretation is expected imminently.

The change to regional programs and target generation in preparation for drilling, scheduled to recommence in June 2009, has enabled Solomon Gold to reduce its operating expenses markedly.

Specific exploration developments during the half include the definition of porphyry style targets at the Chupukama prospect in central Guadalcanal.

Two important developments during the half were concluded and the Board believes that these will support the emergence of Solomon Gold as a significant south west pacific exploration company.

Firstly, the company negotiated a terms sheet with Newmont ventures, a subsidiary of Newmont Mining Corporation Inc, a US based global gold miner. Newmont is one of the world's best gold mining companies with operations in the Pacific region including the Batu Hijau porphyry copper gold mine in the Indonesian Archipelago and at Waihi in New Zealand. Under the terms sheet Newmont can earn a 70 % interest in the Guadalcanal Gold areas by expending a minimum of US 12m over 5 years in a two stage program. Newmont can earn a further 10 % by funding the project to mining. Solomon Gold could at that stage repay its share of costs including interest from 90% of its share of cash flows. A definitive agreement based on the terms sheet is under advanced stages of negotiation at the time of this report.

The Solomon Gold Board believes that the attention given to the project by Newmont underscores the prospectivity of the area. The terms sheet also provides for Solomon gold to operate and manage the venture for the first year, which the company believes signifies a degree of confidence in the Solomon Gold operational capability.

During the half, four of the tenements were renewed and a fifth is expected to be renewed in the next eight months. The company continues to hold a good working relationship with the local people and aims to offer employment and integration opportunities to Solomon Islanders where possible.

Cameron Wenck
Chairman

Date: 24 February 2009

Consolidated Income Statement

for the six months ended 31 December 2008

	Notes	Six months to 31 Dec 2008 A\$	Six months to 31 Dec 2007 A\$	Year Ended 30 June 2008 A\$
Continuing operations				
Revenue		-	-	-
Cost of sales		-	-	-
Gross Profit		-	-	-
Other operating income		27,956	60,825	-
Administrative expenses		(505,923)	(858,722)	(1,810,604)
Exploration costs written off		-	-	-
Operating loss		(477,967)	(797,897)	(1,810,604)
Finance income		27,312	72,449	206,977
Loss for the period		(450,655)	(725,448)	(1,603,627)

	Notes	Six months to 31 Dec 2007 A\$	Six months to 31 Dec 2006 A\$	Twelve months to 30 June 2007 A\$
Basic and diluted loss per ordinary share				
- basic and diluted	5	(0.0096)	(0.0257)	(0.0443)

Consolidated Balance Sheet

at 31 December 2008

		31 Dec 2008	31 Dec 2007	30 June 2008
	Notes	A\$	A\$	A\$
Assets				
Property, plant and equipment		225,172	252,640	246,617
Intangible assets		17,431,288	10,552,359	14,976,454
Total non-current assets		17,656,460	10,804,999	15,223,071
Other receivables and prepayments		167,146	3,764,270	326,105
Cash and cash equivalents		146,907	3,546,668	1,874,805
Total current assets		314,053	7,310,938	2,200,910
Total assets	2	17,970,513	18,115,937	17,423,981
Equity				
Issued share capital		1,287,542	1,033,527	1,033,527
Share premium		18,065,929	17,428,590	17,613,615
Other reserves		1,683,142	1,396,576	1,683,142
Retained losses		(3,908,250)	(2,579,416)	(3,457,595)
Total equity		17,128,363	17,279,277	16,872,689
Liabilities				
Trade and other payables		642,150	836,660	551,292
Interest-bearing loans and borrowings		200,000	-	-
Total current liabilities		842,150	836,660	551,292
Total liabilities		842,150	836,660	551,292
Total equity and liabilities		17,970,513	18,115,937	17,423,981

Cameron Wenck
Chairman

Date: 24 February 2009

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\$
Balance at 1 July 2007		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
Balance 31 Dec 2007		1,033,527	17,428,590	1,223,773	172,803	(2,579,416)	17,279,277
Loss for the period		-	-	-	-	(878,179)	(878,179)
Adjustment to share capital		-	-	-	-	-	-
Adjustment to previous							
Share Issue Costs		-	185,025	-	-	-	185,025
<i>Employee share option scheme:</i>							
- value of services provided		-	-	286,566	-	-	286,566
Balance 30 June 2008		1,033,527	17,613,615	1,510,339	172,803	(3,457,595)	16,872,689
Loss for the period		-	-	-	-	(450,655)	(450,655)
Adjustment to share capital		254,015	508,030	-	-	-	762,045
Share Issue costs		-	(55,716)	-	-	-	(55,716)
<i>Employee share option scheme:</i>							
- value of services provided		-	-	-	-	-	-
Balance 31 Dec 2008	3	1,287,542	18,065,929	1,510,339	172,803	(3,908,250)	17,128,363

Consolidated statement of cash flows

for the six months ended 31 December 2008

		Six months to 31 Dec 2008	Six months to 31 Dec 2007	Year Ended 30 June 2008
	Notes	A\$	A\$	A\$
Cash flows from operating activities				
Operating loss from continuing operations		(450,655)	(725,448)	(1,603,627)
Depreciation		25,985	26,362	50,981
Share based payment expense	4	-	547,325	833,891
(Increase)/decrease in other receivables and prepayments		158,961	26,765	55,619
(Decrease)/increase in trade and other payables		290,858	310,082	185,317
Cash used in operations		25,149	185,086	(477,819)
Net cash outflow from operating activities		25,149	185,086	(477,819)
Cash flows from investing activities				
Acquisition of property, plant and equipment		(4,540)	(5,033)	(23,629)
Acquisition of intangible assets		(2,454,836)	(3,752,633)	(8,176,728)
Payment for subsidiaries net of cash acquired		-	-	-
Net cash (outflow)/inflow from investing activities		(2,459,376)	(3,757,666)	(8,200,357)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital		762,045	3,823,958	7,233,270
Refund/(payment) of issue costs		(55,716)	(155,240)	(130,819)
Net cash inflow from financing activities		706,329	3,668,718	7,102,451
Net (decrease)/increase in cash and cash equivalents		(1,727,898)	96,138	(1,575,725)
Cash and cash equivalents at beginning of period		1,874,805	3,450,530	3,450,530
Cash and cash equivalents at end of period		146,907	3,546,668	1,874,805

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 IFRS.

The interim financial information set out on pages 4 to 7 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 2008.

The financial information for the six months ended 31 December 2008 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 2008 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 2008 was unqualified and did not contain any statement under Section 327(2) or (3) of the Companies Act 1985.

The Company recently completed (in November 2008) 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.

In common with many exploration companies, the Company raises finance for the Group's exploration and appraisal activities in discrete tranches. The directors are in the process securing further additional funds to enable it to proceed with its approved plan of expenditure and to provide additional working capital thereafter. They are also in the process of finalising joint venture arrangements in connection with the Group's major copper/gold exploration project on Guadalcanal. The directors are confident that these various financial arrangements can be successfully concluded and that the Group is a going concern. In the event that the Company is unable to secure further finance it may not be able to continue as a going concern.

In addition, the funds will not be sufficient to bring the projects into development and production and, in due course, further funding will be required. In the event that the Company is unable to secure further finance either through its current arrangements with Newmont, other parties or capital raisings, it may not be able to fully develop the project.

NOTE 2 SEGMENT REPORTING

The Group currently operates one business segment being mineral exploration and two geographical segments being Australia and Solomon Islands.

NOTE 3 CAPITAL AND RESERVES

Shares issued

During the period the company issued 11,666,667 shares for a cash consideration of A\$762,045 (less share issue costs of A\$55,716).

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. For the six months ending 31 December 2008, the Company did not issue any share options.

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

For the six months ending 31 December 2008, the Company did not issue any share options.

NOTE 5 LOSS PER SHARE

The calculation of total loss per ordinary share on total operations is based on losses of A\$450,655 (six months to 31 December 2007: A\$725,448 and period to 30 June 2008: A\$1,603,627) and the weighted average number of ordinary shares outstanding of 46,875,092 (28,163,799 for the six months to 31 December 2007 and 36,222,261 period to 30 June 2008). 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 2008 there were 4,969,997 (30 June 2008: 4,969,997, and 31 December 2007: 4,269,997) share options on issue.

NOTE 6 COMMITMENTS

As noted in the Company's 2008 Annual Report, pursuant to a contract for the provision of a helicopter to assist in exploration and drilling. This contract was terminated effective 19 December 2008.

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 agreement was recently renewed for a further 12 months. 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\$14,045 (2007: A\$12,282) for the provision of administration, management and office facilities to the Company during the half year. A total amount outstanding at half year end is A\$24,889 (2007: A\$10,541)
- (ii) Mr Brian Moller (a director), is a partner in the Australian firm Hoggood Ganim Lawyers. Hoggood Ganim were paid A\$77,669 (2007: A\$32,635) for the provision of legal services to the Company during the year. These services were based on normal commercial terms and conditions. The total amount outstanding at half year end is A\$29,230 (2007: A\$35,909)
- (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\$13,297 (2007: A\$14,031) was paid to the Company for the provision of professional services.

NOTE 8 SUBSEQUENT EVENTS

On 4 February 2009, Samuel Holdings Pty Ltd a company associated with the Chief Executive Officer of Solomon Gold, Mr Nicholas Mather procured agreements to subscribe to convertible notes by Nicholas Judith Mather <Superannuation Fund A/C> and Samuel Holdings Pty Ltd <Samuel Discretionary A/C>. As provided by the note agreement the notes have been converted into Solomon Gold plc shares. The number of shares issued under the note deed is Nicholas Judith Mather <Superannuation Fund A/C> 5,091,635 shares and Samuel Holdings Pty Ltd <Samuel Discretionary A/C> 2,208,201 shares.