



Solomon Gold plc

UK Company No. 5449516

SOLOMON GOLD PLC

INTERIM REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2006

Corporate Information

Directors

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

Company Secretary

Duncan Cornish

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Chairman's Statement

Dear Shareholder,

The six months to 31 December 2006 have seen the Company intensify its exploration program on Guadalcanal in Solomon Islands. The exploration effort has been conducted in a challenging physical, socio political and market environment which has imposed difficult operating pressures on the field and executive teams.


Nevertheless the Company in May 2006 concluded access arrangements into the Sutakiki Valley, 30km south east of the capital Honiara, where a mineral system, which the directors believe has the potential to host a world-class target, was discovered by Solomon Gold geologists. Early mapping and sampling established the project as having the size and characteristics necessary for an ore body of similar scale to the great bulk open cut copper gold ore bodies of the Southwest Pacific, particularly Ok Tedi and Bougainville.

The drilling programme underway at Sutakiki is planned to intensify over the forthcoming months. The Company has two drills currently operating at Sutakiki and a third has been ordered. Significant progress has been made with four holes now completed and the fifth in progress. The successful exploration of Sutakiki was founded on the establishment of trusted relationships with the landowners in the area. These form a sound basis for the ultimate development of a mining operation, in the event of an economic discovery. The Sutakiki project is growing in size with additional discoveries and opportunities being identified particularly to the west and northwest of previous drill sites.

Since the Preliminary results announcement, dated 29 September 2006, the Company's work at Kuma, south east of Sutakiki, has resulted in the successful signing of an access agreement with the Landowners and the granting of the Prospecting License over the Kuma area on Guadalcanal. This again proves the Company's ability to negotiate successfully with both Landowners and Government to pave the way for exploration into new and exciting areas never before reached. We already enjoy a good working relationship with the Kuma people. The process of educating, training and employing local Kuma people is underway and we have commenced fieldwork in the area. An extensive mineralisation system has already been identified and is currently being mapped and sampled.

Market conditions for exploration companies on the AIM boards of the LSE over the last year have been difficult. However the Directors are confident that a significant discovery has been made which may ultimately lead to the delineation of a drill defined resource. Solomon Gold continues to seek opportunities which will potentially add value to the Company's asset base without the high costs typically associated with such acquisitions. The identification of and application for prospecting licences showing lateritic nickel prospectivity in Florida, East Guadalcanal and Makira in the Solomon Islands are examples of this strategy of low cost asset acquisition.

The Board is confident that the Company's exploration strategy combined with close local relationships and continued promotional effort will lead to enhanced shareholder value in the next half year.



Cameron Wenck
Chairman
30 March 2007

Operational Update

Mbetilonga

Extensive work has been completed on the core area of the Mbetilonga prospecting licence is 15km south of the capital Honiara. This has included soil sampling over a large grid, detailed mapping and sampling and drilling. The Company's geologists have determined that structure, host rocks, level of emplacement and styles of mineralisation are the main controls on gold and copper mineralisation in the Mbetilonga basin. Hambusimoloso, Vatuchichi and Vuralangomma are discrete areas of copper and gold mineralisation with distinct structural controls on mineralisation.

North east trending faults control copper mineralisation at the Hambusimoloso coppers prospect. The faults are open and fractured at surface with surface enriched clays and mineralised boulders in landslips. Narrow flat lying quartz veins formed in close proximity to the faults contain copper, lead and zinc minerals, chalcopyrite, galena and sphalerite.

The Vatuchichi gold prospect is located in the centre of the Mbetilonga basin in an area of structural tension and uplift. Hornblende and quartz rich diorites (classically considered highly favourable indicators for porphyry copper gold mineralisation) are emplaced at high levels and an intrusive breccia occurs on the margin of the Hahala Diorite. East west faults are strongly mineralised and mark the limestone contact. Porphyry copper, epithermal high and low sulphidation gold and copper skarn mineralisation all occur in close proximity. Anomalous tellurium values indicate a high level of emplacement/erosion in the mineralising system.

Hornblende diorite dykes are emplaced at high levels along north east trending faults at Vuralangomma copper prospect on the east side of the Mbetilonga Basin. Economic grade porphyry copper mineralisation was intersected in drilling, by Utah in the early 1970's, on the margin of the porphyry and, at the nearby Kichia prospect, high sulphidation epithermal gold mineralisation is located at Rambo Creek where a number of rock and trench samples recorded high gold values up to 28.0g/t gold.

Further drilling will be undertaken to test porphyry copper mineralisation at depth at Kichia and Vuralangomma along with drill testing the Rambo area for sulphide rich gold mineralisation.

In addition the Vatuchichi headwaters require drill testing of the low sulphide gold systems as do the Koki high sulphide gold system and skarn styles of mineralisation and the intrusive breccia at Grovers Hill.

Drill testing of these prospects is anticipated in the next 12 months.

Sutakiki

The Sutakiki prospect was discovered by Solomon Gold in June 2006 and appears to be a significant gold and copper system that has yet to be fully tested. Complex structural controls define the extent of the gold rich quartz vein systems associated with both porphyry and epithermal style gold-copper mineralisation.

Multiphase intrusives are elongated along east west faults which are intersected by a major north east trending transform fault along Tabora Creek where veining and mineralisation are best developed. The strongly oxidised vein sets are up to 1.5 metres wide and interspersed over 80 metres width. They are thought to continue beneath boulder scree for at least 300 metres to the west and 200 metres to the east and up to 500m to the north, under the Sutakiki River gravels. The veins and fracture coatings host porphyry style gold-copper mineralisation and among a large number of grab and rock chip samples values of up to 1090 g/t gold and 3.29% copper were recorded. Five metre composite channel samples along lower Tabouroua Creek recorded 85 metres at 0.79 g/t gold. Further epithermal style fractured and banded quartz-carbonate veins outcropping at higher elevations north and south of the main vein system recorded values of up to 2.25 g/t gold.

Analytical results for the first hole drilled at Sutakiki (SK001) recorded significant intersections of porphyry style mineralisation of 309m at 0.54 g/t gold and 0.13% copper including 148m at 0.79 g/t gold and 0.21% copper from 291m depth. Some higher grade intersections were recorded within this including 2m at 12.4 g/t gold at 445m depth within epithermal veins.

At surface the quartz veins pinch and swell at fault intersections. The mineralised vein sets may be offset 100m to the north east where they outcrop in the Sutakiki River. This will be drill tested in the current drill program.

Between the north east faults copper mineralisation, as chalcopyrite and pyrite mineralisation is fracture controlled along east west faults.

Epithermal (high level, low temperature) gold mineralisation outcropping at higher elevations north and south of the Sutakiki River was intersected 445 meters below surface in drill hole SK001. The up thrown Suta volcanics are a permeable host for the development of wider significant gold mineralisation at the intrusive contact closer to surface. Gold bearing brecciated colloform veins outcrop north and south of the Sutakiki River at higher elevations in the headwaters of Taburoura and Valehailai Creeks. This epithermal style gold mineralisation will be tested nearer to surface. This style of mineralisation is exemplified at the 2m oz Gold Ridge deposit 13km to the north (not an asset of Solomon Gold).

Geological mapping is currently being tied into the re-interpreted aeromagnetic and radiometric data. Interpretation of the geophysical information which is being followed up by mapping and sampling along with drilling by Solomon Gold indicates the Sutakiki project to be extensive.

Further detailed geological mapping will aid in locating drill holes at higher elevations to test both the epithermal and porphyry style gold copper mineralisation. Regional geological mapping and sampling will continue to follow up highly anomalous sampling results of up to 179 g/t gold, 1660 g/t silver, 5.05% zinc, and 2.27% copper.

Koloula

A number of limited exploration programmes have been completed at Koloula since prospecting recommenced in December 2005. This has included a structural analysis of the Mbina and Chikora areas, along with vein density mapping and sampling. Drill pads have been selected and the two prospects will be drilled subject to rig availability.

The area of gold anomalism north of Mbina Camp #1 is hosted by intermediate intrusive rocks of the Koloula Intrusive complex and finer grained andesite of the Suta Volcanics. The rocks are strongly fractured and the anomalism is broadly coincident with abundant pyrite as fracture coatings, fissure infill veins and less commonly fine stockwork and finely disseminated within the host rocks. The anomalous gold zone in particular is coincident with strong pervasive silica-sericite-clay alteration and haloed by a much broader propylitic zone of chlorite-epidote-pyrite alteration.

Close inspection of the alteration zones show strong structural control. Strong alteration is predominantly peripheral to the main north east trending transform fault structures, the same structure that runs through the Sutakiki project 5km to the north east. The width of alteration zones varies from fine selvages of less than 1cm up to zones more than 10m wide.

It is believed that previous drilling by Utah at Mbina in the early 1970's was not sufficiently deep and may have targeted transported copper anomalism. Additionally gold was not assayed for in the drilling samples. Solomon Gold drilling will target the intersection of the north east trending structure with this anomaly at depth.

Utah tested the central Chikora porphyry with vertical holes which ended in copper mineralisation. A deep inclined drill hole will be targeted beneath the central area of the porphyry.

Kuma

A large number of orange-red, iron oxide coated boulders have been observed in the Kuma River from the helicopter by Solomon Gold geologists since 1996. Oxidized outcrops exposed in Alimuno Creek, a tributary of the Kuma River, were thought to be the source of the boulders but fieldwork could not be undertaken prior to March 2007 when landowner agreements were finally negotiated and permission was granted to begin fieldwork on the project.

The pyritic boulders were strongly silica-clay-pyrite altered intrusives and these were traced to outcrops in the Alimuno and Kolosecaseca (tributary of Alimuno) Creeks.

There is a fine grained clay-pyrite altered porphyry intruding limestone along a north west trending shear zone. The limestone is recrystallised and brecciated and contains banded magnetite, garnets and sulphides exhibiting very good skarn potential.

Rock float and outcrop sampling along with reconnaissance mapping of the main drainages has located an outcropping mineralised intrusion associated with an extensive leached cap. North trending faults cutting the cap show alteration pyrite and arsenopyrite mineralisation and acid leaching features suggestive of concealed gold mineralisation. An extensive leached cap over the area has been located and initially mapped and sampled. Additionally a quartz diorite similar to the Sutakiki intrusives has been located peripheral to the leached cap. Mapping and sampling of these prospective areas is underway to define drill targets as soon as possible.

Consolidated Income Statement

for the six months ended 31 December 2006

		Six months to 31 Dec 2006	Six months to 31 Dec 2005	Period* to 30 June 2006
	Notes	A\$	A\$	A\$
Continuing operations				
Revenue	7	-	-	-
Cost of sales		-	-	-
Gross Profit		-	-	-
Other operating income		3,278	72,924	72,924
Administrative expenses		(611,941)	(155,804)	(908,064)
Exploration costs written off		-	-	(10,000)
Operating loss		(608,663)	(82,880)	(845,140)
Finance income - net		179,223	13,685	192,818
Loss for the period		(429,440)	(69,195)	(652,322)

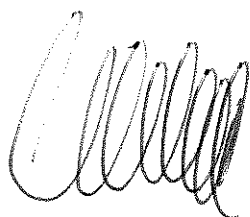
		Six months to 31 Dec 2006	Six months to 31 Dec 2005	Twelve months to 30 June 2006
	Notes	A\$	A\$	A\$
Basic and diluted loss per ordinary share				
- basic and diluted	5	(0.0160)	(0.0119)	(0.0431)

*Period is from 11 May 2005 to 30 June 2006

Consolidated Balance Sheet

at 31 December 2006

	Notes	31 Dec 2006 A\$	31 Dec 2005 A\$	30 June 2006 A\$
Assets				
Property, plant and equipment		272,050	50,020	71,189
Intangible assets		3,776,726	956,651	2,201,948
Total non-current assets		4,048,776	1,006,671	2,273,137
Other receivables and prepayments		348,595	51,164	257,677
Other (IPO Costs)		-	174,374	-
Cash and cash equivalents		6,714,363	552,522	9,077,456
Total current assets		7,062,958	778,060	9,335,133
Total assets	2	11,111,734	1,784,731	11,608,270
Equity				
Issued share capital		631,679	397,129	631,679
Share premium		10,752,408	1,316,056	10,752,408
Other reserves		423,616	-	389,874
Retained losses		(1,081,762)	(68,919)	(652,322)
Total equity		10,725,942	1,644,266	11,121,639
Liabilities				
Trade and other payables		385,792	140,465	486,631
Interest-bearing loans and borrowings		-	-	-
Total current liabilities		385,792	140,465	486,631
Total liabilities		385,792	140,465	486,631
Total equity and liabilities		11,111,734	1,784,731	11,608,270



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 2005		397,129	1,316,056	-	-	276	1,713,461
Loss for the period		-	-	-	-	(69,195)	(69,195)
Balance 31 Dec 2005		397,129	1,316,056	-	-	(68,919)	1,644,266
Loss for the period		-	-	-	-	(583,402)	(583,402)
Adjustment to share capital		234,550	9,436,352	-	-	-	9,670,902
<i>Employee share option scheme:</i>							
- value of services provided		-	-	217,071	172,803	-	389,874
Balance 30 June 2006		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
Balance 31 Dec 2006	3	631,679	10,752,408	250,813	172,803	(1,081,762)	10,725,942

Consolidated statement of cash flows

for the six months ended 31 December 2006

		Six months to 31 Dec 2006	Six months to 31 Dec 2005	Period* to 30 June 2006
	Notes	A\$000	A\$000	A\$000
Cash flows from operating activities				
Operating loss from continuing operations		(429,440)	(68,919)	(652,322)
Depreciation		11,553	3,694	12,290
Share based payment expense	4	33,742	-	217,071
(Increase)/decrease in other receivables and prepayments		(90,918)	(221,448)	(253,587)
(Decrease)/increase in trade and other payables		(188,519)	(209,170)	(23,608)
Forgiveness of loan liability		(72,924)	(72,924)	(72,924)
Cash used in operations		(736,506)	(568,767)	(773,080)
Net cash outflow from operating activities		(736,506)	(568,767)	(773,080)
Cash flows from investing activities				
Acquisition of property, plant and equipment		(212,414)	(42,382)	(72,147)
Acquisition of intangible assets		(1,574,778)	(296,415)	(1,541,712)
Payment for subsidiaries net of cash acquired		-	17,497	17,497
Net cash (outflow)/inflow from investing activities		(1,787,192)	(321,300)	(1,596,362)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital		-	1,442,589	13,240,362
Refund/(payment) of issue costs		160,604	-	(1,793,464)
Net cash inflow from financing activities		160,604	1,442,589	11,446,898
Net (decrease)/(increase) in cash and cash equivalents		(2,363,093)	552,522	9,077,456
Cash and cash equivalents at beginning of period		9,077,456	-	-
Cash and cash equivalents at end of period		6,714,363	552,522	9,077,456

*Period is from 11 May 2005 to 30 June 2006

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 2006.

The financial information for the six months ended 31 December 2006 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 2006 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 2006 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 directors are of the opinion that a capital raising during 2007 will be required to supplement existing reserves so as to ensure the Company has adequate cash reserves to meet its planned accelerated exploration and appraisal activities for the next 12 months. 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 ended 31 December 2006 no ordinary shares were issued.

Share options and warrants

The Company issued share options in September 2006 (see note 4 for details).

Other reserves

A share option reserve includes an expense based on the fair value of share options issued since February 2006. 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 650,000 share options to directors and management on 12 September 2006 at exercise prices between 50 pence and 100 pence per ordinary share. The closing price of the Company's shares on the previous day was 24.5 pence. The options are exercisable (ie. vest) between 1 January 2007 and 1 January 2011 and expire between 1 January 2010 and 1 January 2011. The share options granted on 12 September 2006 had a total fair value of A\$61,403 with A\$33,742 being expensed during the half year ended 31 December 2006.

NOTE 5 LOSS PER SHARE

The calculation of total loss per ordinary share on total operations is based on losses of A\$429,440 (six months to 31 December 2005: A\$69,195 and period to 30 June 2006: A\$652,322) and the weighted average number of ordinary shares outstanding of 26,825,001 (5,838,452 for the six months to 31 December 2005 and 15,122,193 period to 30 June 2006). 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 2006 there were 2,389,997 (30 June 2006: 1,739,997, and 31 December 2005: 0) share options on issue.

NOTE 6 COMMITMENTS

As noted in the Company's 2006 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\$720,000 (in equal monthly payments) between 12 May 2006 and 12 May 2007. The commitment relates to a minimum usage (flying hours) of the helicopter over the commitment period. The remaining commitment at 31 December 2006 was 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\$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\$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\$32,256 was paid to the Company for the provision of professional services.
- b) The Company granted 650,000 share options to directors and management on 12 September 2006 as noted in Note 4 above.

NOTE 8 SUBSEQUENT EVENTS

There have been no events since the end of the financial year that impact upon the financial report as at 31 December 2006.