

Solomon Gold plc 21 Jun 10

A maiden resource in Queensland is a good start

Solomon Gold plc has given presentations in London and Sydney ahead of drilling programs and upgrades to resources over the next six months. The company has a 6 million ounce target at its Rannes project in Queensland and has a multi million ounce targets in the Solomon Islands. Newmont is earning a 70% interest in the Guadalcanal prospects by spending US\$12 million by 2014.

Solomon Gold is led by CEO Nicholas Mather. Mr Mather is a successful exploration geologist that has a history of creating value for shareholders. Mr Mather has been a director of several resource companies which include Arrow Energy and BeMax Resources NL. Mr Mather is CEO of ASX-listed D'Aguilar Gold Limited and he is a non-executive director of Bow Energy.

Solomon has four non-executive directors with complementary skills in accounting and financial management, law, civil engineering and investment banking.

The day-to-day affairs of the company are managed by the company's Chief Operating Officer, Mr Alex Thin. Mt thin has a wealth of experience in mining and exploration projects in many parts of the world.

The Chief Financial Officer is Mr Karl Schlobohm who has twenty years experience across a wide range of industries including several resource companies.

In summary, the management team and the senior executives have the breadth and depth of experience to advance Solomon Gold from an explorer to a gold producer.

The investment thesis is focused on the balance of risk between advanced exploration in Queensland and higher risk exploration in the Solomon Islands. In both cases the potential to make a significant gold discovery is very good. The time to consider investing in an explorer is ahead of major drilling programs, which in the case of Queensland are sure to produce encouraging results.

The time to consider adding Solomon Gold plc to an exploration portfolio or to diversify a portfolio is now. Solomon is a high risk play for a very high return. The risk to reward ratio is favourable.

SHARE PRICE CHARTS AND COMMENTS:

Now to look at the technical picture for Solomon Gold, we can see from the weekly chart of SOLG that the share price is in an uptrend having put in a low of the 12th of September 2008. Since then the share price rallied sharply putting in a high of 17.25p in June 2009.

Since putting in the June high the share price has pulled back sharply putting in a low of 5.5p on the 4th of June 2010. The weekly MACD is pointing lower and has recently broken below the zero signal line which is bearish.

However, looking more closely at the daily chart of SOLG we can see that the price action looks to have formed a little double bottom reversal pattern which is confirmed by a bullish RSI divergence. A move above 6.3p would confirm the completion of this pattern and would suggest a move back above the 50 day moving average is on the cards.





STATE OF PLAY

Starting with Queensland, Solomon has two key projects, Rannes and Mt Perry. The Rannes Project consists of a number of prospects, one of which is called Crunchie with a maiden resource estimate of 200,000 gold equivalent ounces which was announced earlier this month.

The Rannes Project licences cover over 3,000 square kilometres of a newly recognised Carlin style gold trend. Carlin style orebodies were first recognised in Nevada USA where gold has been precipitated in limey and carbonaceous sediments. The gold deposits along the Carlin and Battle Mountain trends in Nevada are host over 200 million ounces of gold.

Geologically, the Carlin district and Rannes share similarities. Five prospects have been drilled at Rannes and at each prospect drilling has intersected broad zones of potentially economic gold mineralisation. Better intersections include 32 metres at 1.84 g/t gold and 41 g/t silver at Cruchie and 40 metres at 1.69 g/t gold at Kauffmans. At the Porcupine Pie prospect one drill hole intersected 128 metres grading 1.15 g/t gold.

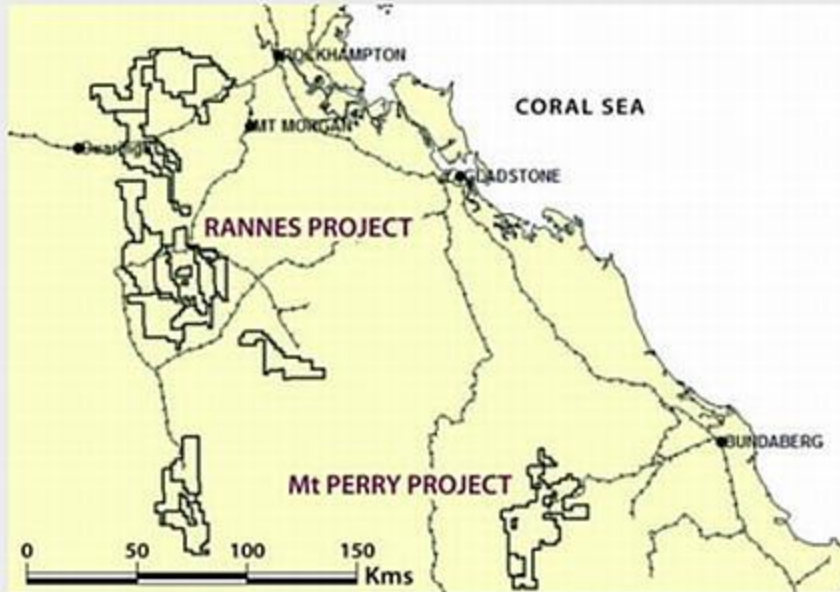
The four prospects are clustered together and the geochemistry suggests that the mineralisation that has been intersected is high in the system and that deeper drilling might reveal high grade gold in veins, similar to the Cracow Mine (70% Newcrest) which is 120 kilometres to the south.

Solomon has a target of 6 million ounces at Rannes and has planned a 20,000 metres drilling program to follow up earlier results, and probe airborne magnetic targets. Magnetics have identified a series of structures which are significant gold targets in a Carlin style environment. The total cost of drilling including assays is budgeted at around A\$200 per metre.

The resource at Crunchie is low grade with resources of 5.6 million tonnes at 0.44 g/t gold and 44 g/t silver. Crunchie is open at depth and in three directions. The grade is very low but if enough volume of low grade material is present, it might support developing an open pit mine at the current gold price. If interest rates begin to rise there might be a window to lock in forward sales at a nice contango ensuring an AUD gold price unthinkable of 12 months ago.

The locations of Rannes and Mt Perry are shown in the following figure taken from Solomon's web site. Key points to note are nearness to major population centres. Mt Perry is only four hours drive from Brisbane, Queensland's capital.

Rannes



The Mt Perry Project leases cover extensive old mines and workings. Lihir Gold's Mt Rawdon deposit is nearby and with widespread gold in soils and rock chip samples, the company believes that there is potential for making a one million ounce discovery.

At the Chinaman Creek Zone prospect, geophysics and geochemistry have outlined a very high priority target which is ready for drill testing. The company believes that Chinaman Creek has the potential to host a million ounce deposit. Gold mineralisation is associated with parallel shear zones and reef systems in a large area of 14 square kilometres.

Surface sampling has indicated zones of economic grade and width and drilling is underway at Spring Creek which is along strike from Chinaman Creek. In an ideal world, Solomon would like to have a good indication of a one million ounce resource at Mt Perry within six months – this seems possible.

Turning now to the Solomon Islands where the geology is very exciting but the risks very high. The Solomon Islands is not the easiest place to explore for gold because of what can be a politically unstable environment. Exploration costs to drill holes are very high being multiples of similar costs in Queensland.

Solomon Gold's activities are focused on two islands, Guadalcanal and Fauro. Fauro is in the northwest of the Solomon Islands, not far southeast of Bougainville Island that hosts the large Panguna porphyry copper and gold deposit. Panguna has resources of one billion tonnes grading 0.33% copper and 0.37 g/t gold. The mine closed in 1989 when civil unrest terminated mining activities.

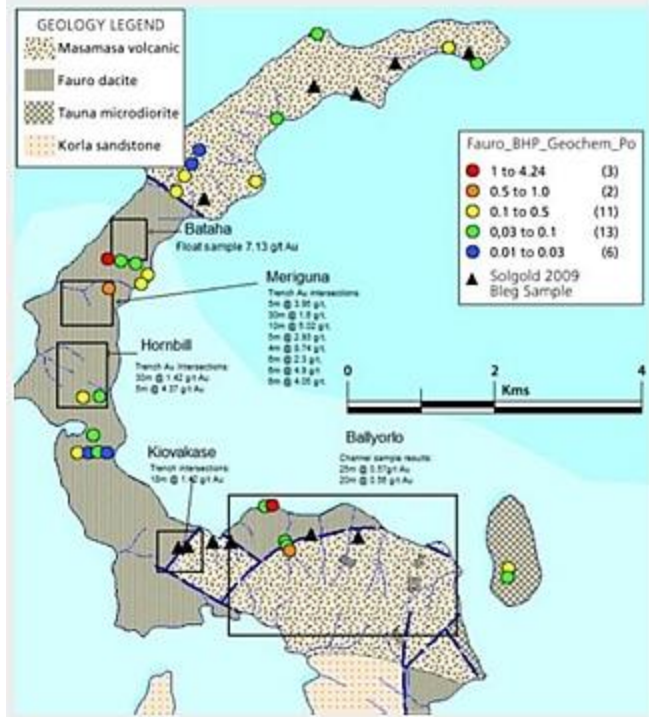
The northern part of Fauro is the remnant ring of a volcano, the Fauro Caldera. All the central part of the caldera is below the sea. The Lihir Island gold deposit sits within a caldera and sampling along the western margin of the Fauro Caldera has produced some very interesting results with visible high grade gold in rock chips. This is not unusual along the Rim of Fire but finding a deposit that bulks up for mining is a challenge.

A magnetic survey of Fauro has been completed and in combination with rock chip sampling has outlined five key prospects for further investigation and drilling. In addition to hard rock gold potential, the company sees potential for alluvial gold mining. Drilling is scheduled to commence in late 2010 or early 2011. Because the cost of drilling is very high the geologists have to be very sure that the drill sites are properly located.

The next figure is map showing part of Fauro Island and the key prospects.

Fauro Gold Project

High Grade Epithermals on the Rim of Fire



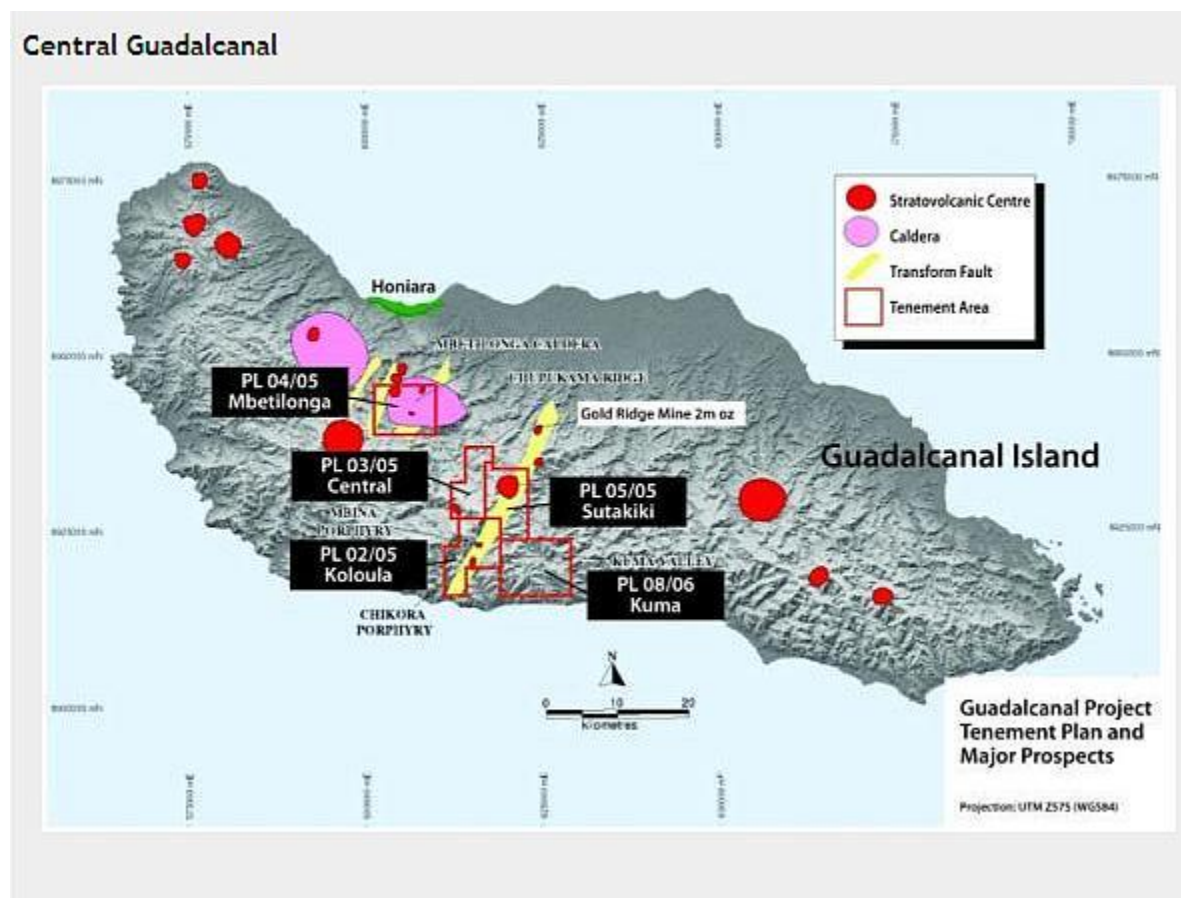
Solomon Gold has five prospecting licences on Guadalcanal which cover a total of 300 square kilometres. This is elephant country and the target is a large copper-gold deposit like Panguna on Bougainville.

The geology is excellent with geophysics and geochemistry outlining numerous targets that need to be drill tested. The key targets are associated with a collapsed caldera of which the most important is Hambusimaloso. Copper in soil exceeds 1,000 ppm and copper values of up to 13% have been obtained from rock chips.

There are two epithermal gold targets, Vuramindi and Vuanimaho. Both targets have a similar geophysical signature to the 5 million ounce Martabe gold deposit in Indonesia.

Despite the high risk of operating in the Solomon Islands, Newmont Mining is earning a 70 interest in the company's Guadalcanal properties by spending US\$12 million on exploration by 5 March 2014. The budget for 2010 is A\$5.2 million and includes 4,500 metres of drilling. Newmont is taking this risk because the reward will be great if a major discovery is made.

The prospects in Guadalcanal are shown in the next figure, which was also taken from Solomon's web site.



Over the next 12 months there will be a lot of news flow from Solomon Gold that is certain to include positive exploration results that might have a profound impact on the company's share price.

From where the company is today, a market value of around US\$82 per resource ounce, the stock is not cheap when taking in to account the low grade nature of its current resource. However, we expect the company to greatly increase its resource base in Queensland and add significant value to shareholders from that source.

Solomon's market capitalisation is around US\$14 million so there is plenty of scope for the stock to be re-rated if it produces excellent exploration results. The average value for gold

companies after the latest hike in the price of gold is US\$111 per gold equivalent resource ounce.

A good time to buy speculative explorers is before they get too many runs on the board and the share price races away. Such is the time to consider Solomon Gold plc. The stock is a highly speculative in nature but now is the time to have a nibble.

Solomon Gold plc is recommended as a SPECULATIVE BUY for all Members.

DISCLAIMER

Fat Prophets has made every effort to ensure the reliability of the views and recommendations expressed in the reports published on its websites. Fat Prophets research is based upon information known to us or which was obtained from sources which we believed to be reliable and accurate at time of publication. However, like the markets, we are not perfect. This report is prepared for general information only, and as such, the specific needs, investment objectives or financial situation of any particular user have not been taken into consideration. Individuals should therefore discuss, with their financial planner or advisor, the merits of each recommendation for their own specific circumstances and realise that not all investments will be appropriate for all subscribers. To the extent permitted by law, Fat Prophets and its employees, agents and authorised representatives exclude all liability for any loss or damage (including indirect, special or consequential loss or damage) arising from the use of, or reliance on, any information within the report whether or not caused by any negligent act or omission. If the law prohibits the exclusion of such liability, Fat Prophets hereby limits its liability, to the extent permitted by law, to the resupply of the said information or the cost of the said resupply. As at the date at the top of this page, Directors and/or associates of the Fat Prophets Group of Companies currently hold positions in ABB Grain (ABB), Aurora Minerals (ARM), Austal (ASB), Australian Wealth Management (AUW), Avoca Resources (AVO), Avexa (AVX), Argo Exploration (AXT), BHP Billiton (BHP), Babcock & Brown Japan Property Trust (BJT), Boart Longyear (BLY), Biota Holdings (BTA), Catalpa Resources (CAH), Catalpa Resource Options (CAHO), Coeur D'Alene Mines (CXC), Fat Prophets (FAT), Fat Prophets Options (FATO), Fosters Group (FGL), Global Mining Investments (GMI), Lihir Gold (LGL), Lion Selection (LST), Macarthur Coal (MCC), Maryborough Sugar Factory (MSF), Mundo Minerals (MUN), Mineral Securities (MXX), Mineral Securities Options (MXXO), Newmont Mining (NEM), Oil Search (OSH), Oz Minerals (OZL), Progen Options (PGLO), Platinum Australia (PLA), QBE Insurance (QBE), Rio Tinto (RIO), Roc Oil (ROC), St Barbara (SBM), Sirtex Medical (SRX), Territory Iron Ord (TFE), Telstra Corporation (TLS), Tox Free Solutions (TOX), View Resources (VRE), View Resources Options (VREO), Walter Diversified (WDS), Woodside Petroleum (WPL), Merrill Lynch Gold Fund, Platinum Japan Fund, Gold Bullion. These may change without notice and should not be taken as recommendations. The above disclaimer does not apply to investments held by the Fat Prophets Australia Fund Limited ACN 111 772 359 (FPAFL).

Snapshot SOLG

Solomon Gold plc

Solomon Gold plc is listed on AIM with the ticker SOLG. In due course the company will also list on the ASX. After buying two Australian gold explorers in December 2009, the company de-risked its exposure to its activities in the Solomon Islands. The Solomon Islands are part of the South West Pacific Ring of Fire. The

Solomon Islands are prospective for gold and copper deposits in a variety of geological settings; some are similar to Lihir Island. The tenements in Queensland are prospective for the discovery of epithermal gold veins, and Carlin type replacement deposits.

Market Capitalisation

GBP11.12m

-
- [Contact Us |](#)
 - [Advertise with us |](#)
 - [Take the tour |](#)
 - [Privacy |](#)
 - [Terms and Conditions |](#)
 - [Copyright & Trademark Notice |](#)
 - [Compliance - FSG |](#)
 - [Disclaimer](#)

Copyright © 2008 FatProphets All Rights Reserved.

No Portion of this website may be reproduced, copied or in any way released without written permission from Fat Prophets.
