



Solomon Gold plc

UK Company No. 5449516

SOLOMON GOLD PLC

ANNUAL REPORT

FOR THE PERIOD ENDED 30 JUNE 2006

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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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AUSTRALIAN SOLICITORS

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CHAIRMAN'S STATEMENT

Dear Shareholder,

The period under review has seen the rapid growth of your company from an exploration strategy to a well funded, staffed and extremely active explorer on one of the most prospective gold and copper projects on the south west Pacific Rim. The Company raised over £5 million and listed on the Alternative Investment Market (AIM) in London in February 2006 and since then has undergone a rapid transformation and expansion in its operating status, in an extremely challenging environment. This resulted in delays to the commencement and efficiency of the initial drilling programs which are ongoing. Despite these challenges, your company has now identified a very extensive and intensely mineralised copper gold porphyry system which we believe will ultimately yield a world class gold and copper discovery.

At the forefront of this exciting development for your company has been the intensive geological mapping and sampling programmes conducted by the field crews. Solomon Gold believes that this is an important step in the orderly path to discovery. It has also enabled the organisation of the geological data into a format which facilitates the contemporary interpretation of the database using contemporary gold-copper porphyry models.

The original premise for our exploration effort on Guadalcanal have been justified. At Sutakiki, the geological team have found a very large gold rich mineral system, upstream of the last samples taken by Newmont in 1989. Mapping and sampling by Solomon Gold has defined four square kilometres of mineralised intrusion and a zone showing mineralisation over 1.5km long and up to 500m wide. Ubiquitous gold values in this porphyry system and an overprinted and rich gold-quartz-sulphide vein system provide your company's board with great confidence that Sutakiki should develop as a very promising gold find.

The average value of gold bearing veins sampled to date in the Sutakiki system is 7.5 grams per tonne. Our exploration teams believe that the low to moderate copper grades at surface will give way to higher copper grades deeper in the porphyry system. Shortly, drilling will reveal the size and grade of the overall system at Sutakiki. Management is dealing with the task of sourcing and mobilising an additional drilling rig into this area, which is proving difficult, given the world-wide high demand for drilling rigs and operators. Additionally, this task has been further complicated by difficult operating conditions in steep terrain, tropical weather and periodic civil unrest. In this regard, the Company is comforted by the presence and commitment of the Australian backed Regional Assistance Mission to Solomon Islands (RAMSI).

Our long and historically strong relationship with the Landowners has served us well. Our existing Landowner access agreements in Central and Mbetilonga and Kouloula have allowed us to continue our geological work without serious incident. Since listing, the Company's skilful management of relationships with Landowners has allowed us to successfully negotiate access agreements at Sutakiki and in principle at Kuma, all during a historically volatile time as a result of significant civil unrest elsewhere in Solomon Islands. At Sutakiki, we are the first exploration company to negotiate an access agreement with the landowners in 17 years. At Kuma, we believe we are the first to be allowed to negotiate with their people. We now have an agreement in principle and signing with Kuma's Tribal Elders is imminent. These are very significant achievements and historically significant in Solomon Islands.

Lastly, the rapid development in the understanding of the geology of Solomon Islands has resulted in the identification of broad areas prospective for nickel laterite development and these areas are now the subject of applications for Prospecting Licences by the Company.

The challenges of the past have proved eye opening at times and those ahead of us are great, but the resolve of management, staff and my fellow Board members, give me confidence in the future of this exploration company. We have the talent, the capital and it now seems a promising mineralised gold system which we believe present Solomon Gold plc with a bright future.

Cameron Wenck
Chairman

OPERATIONS REVIEW

Genesis of the project

Located on the South west Pacific Rim of Fire, a circum pacific earthquake and volcanic belt controlling the location of many of the world's great copper gold deposits, lies the Melanesian country of Solomon Islands. As a British Protectorate until 1974, the country was mapped by the British Geological Survey. As world class copper and gold orebodies were identified in neighbouring Papua New Guinea and the Indonesian Archipelago from 1974 to 1992, it became clear that the island of Guadalcanal, the capital island of Solomon Islands was similarly prospective. The area was blessed with similar rock types and structures to those dominant at the giant Panguna orebody on the Papua New Guinea island of Bougainville to the north; on the Papua New Guinea mainland at OK Tedi and at Grasberg in Indonesian Papua. Copper - gold orebodies in those localities exceeded 40 million ounces each in gold equivalent content as contained copper and gold.

Australian Resource Management (ARM) Pty Ltd ("ARM"), now a wholly owned subsidiary of Solomon Gold applied for prospecting rights in early 1995 over areas on Guadalcanal which it considered to be the best and most prospective targets for potentially world class copper gold orebodies. A program of mapping and sampling from 1996 to 1998 collected considerable data and resulted in the identification of key areas for future focus.

Most importantly, the ARM geologists, now retained by Solomon Gold in senior exploration and board positions, recognised that the upper Sutakiki Valley was highly prospective for high tonnage gold and copper mineralisation. The only data available was sampling data from a Newmont reconnaissance trip further down the Sutakiki River. This prospect has since turned out to be Solomon Gold's flagship project and is discussed later in detail.

Formation of Solomon Gold plc and the acquisition of the project

The period to 30 June 2006 saw the incorporation of Solomon Gold plc ("Solomon Gold") and through the acquisition of ARM, the world class Solomon Islands gold and copper exploration project from ASX listed company D'Aguilar Gold Ltd for 10.5 million shares in Solomon Gold plc and a 1.0% Net Smelter Return on the project. The acquisition paved the way for two capital raisings culminating in a £5 million Initial Public Offering and coincident listing of the Company on AIM. ARM applied for and was granted fresh exploration tenures on its four main project areas at Koloula 02/05, Central 03/05, Mbetilonga 04/05, and Sutakiki 05/05 and applications over the Kuma and Poleo areas, covering a total area of 654 km². Since then the Company has relinquished the Poleo application over an area of 186km², leaving a net area of 468 km².

Access Agreements

As a result of ARM's experience in the area and the good relations it forged in 1996 - 1998, the Company has made impressive progress in finalising land access agreements with local people. Solomon Gold now has, through ARM, access and compensation agreements with all of the local peoples on the prospective ground. Importantly, the negotiation of access to the ground at Sutakiki and in principle access to the ground in the upper Kuma Valley are milestones for Solomon Gold. No exploration company has ever had access in the Kuma Valley and access has not been granted in Sutakiki since 1989. Access to these areas is critically important for the Solomon Gold effort on Guadalcanal.

OPERATIONS REVIEW

Commencement of the field campaign

Solomon Gold moved quickly to establish a drilling campaign on the Company's main projects on the Island of Guadalcanal. Under the guidance of the Operations Director, David Jelley, the Company mobilised a highly qualified and experienced team of seven Australian, French, Fijian and Papua New Guinean exploration geologists and an able team of Solomon Islands national geologists to man drilling programs on the Hambusimaloso prospect at Mbetilonga, just 15km south of the operations base at the national capital of Honiara. In addition to the drilling program the Company during the year and up to the date of this report carried out additional mapping and sampling programs in the field on the key prospects at Mbetilonga, Koloula and Sutakiki. Several new drill targets were defined in the Mbetilonga project area and for the first time in 17 years an agreement to gain access to tribal lands in the Sutakiki Valley was reached. Building on the strong relationships forged with people in the areas in 1996 to 1998, Solomon Gold was able for the first time ever, to reach an agreement in principle with the people of the Kuma Valley to the south of the Sutakiki tenement. Hence, Solomon Gold geologists have gained access into one of the most prospective and prior to this Company's attention, uninvestigated parts of the south west Pacific Rim of Fire.

Summary of the activity to date

During the period, Solomon Gold field crews conducted further mapping and sampling programs in the process of definition of drill targets. The table below summarises the effort that has gone into the programs.

To end of period:

Prospect	Sutakiki	Hambusimaloso	Hahala	Vatuchichi - Grovers Hill	Vuralangomma	Koloula
Rock Chips	152	31	13	28	43	15
Soils	106	563	275	408	1,086	-
Drill holes	-	3	2	-	-	-
Drill metres	-	252	283	-	-	-
Geologist man days	112	195	108	169	67	21
Helicopter hours	10	54	5	22	7	6

To date of report:

Prospect	Sutakiki	Hambusimaloso	Hahala	Vatuchichi - Grovers Hill	Vuralangomma	Koloula
Rock Chips	256	37	24	60	138	80
Soils	106	739	518	539	1,329	-
Drill holes	-	1	2	-	-	-
Drill metres	-	524	283	-	-	-
Geologist man days	190	241	223	242	175	61
Helicopter hours	25	63	28	34	14	18

OPERATIONS REVIEW

Discovery of Sutakiki porphyry gold copper and epithermal gold Mineralisation (continued)

A short 200 metres past the last 1989 Newmont sample site in the Sutakiki River, Solomon Gold geologists encountered a system of extensive fracturing, quartz veining and gold-copper sulphides mineralisation in a diorite porphyry intrusive rock body. The altered porphyry host rock appears to lie underneath the 4km² drainage basin for the upper Sutakiki River although mapping and sampling has been confined to the central zone around the river bed and select tributaries. Mineralisation has been emplaced in at least two episodes, the first was found to comprise a finer stage, richer in copper, and evenly disseminated through the porphyry host; and a later epithermal vein set emplaced at a higher level, which is coarser with a high sulphide content up to 0.5m wide and trends almost east west.

The mineralised porphyry system only outcrops sporadically where it is not concealed by gravels and landslide debris. A number of programmes have been completed including individual vein samples, composite samples of both vein and porphyry and float samples where no outcrop is evident. The veins were sampled in two subsequent sampling programs and returned grades up to 1,020 grams per tonne gold over a central discovery zone outlined in the Sutakiki River, representing a zone of approximately 100 meters across the trend of the veins and approximately 100 metres along the trend up the river valley. The veins were detected in outcrop 200m further up the river to the southwest and grades up to 35 g/t gold were returned from rock chip sampling from this location.

Solomon Gold has now identified potential for an extensive zone of mineralisation up to 1.5 km long and 500m wide in the Sutakiki Valley. This zone is extensively covered by scree but where outcropping in situ rock is evident, gold mineralised quartz veins occur. Grades average 0.41% copper and 7.5 g/t gold in the epithermal vein systems and an 85 metre long composite 5 metre channel sample averaged 0.15% copper and 0.8g/t gold in the porphyry host. The results were cut to avoid the high 1,020 g/t result in the calculation of the average grade.

The Company is currently conducting additional mapping and sampling programs to identify additional zones of veining and mineralisation in outcrop within the target zone in the Sutakiki Valley. In addition, the Company is currently engaging a second drilling rig to test the Sutakiki mineralisation.

Koloula Valley

The Koloula Valley lies to the southwest of the Sutakiki Valley and hosts widespread gold and copper mineralisation. High grade gold occurs in quartz pyrite veins grading 71 g/t over a 5m channel sample collected in 1997 and located at the head of the Koloula River less than 4km south west of the Sutakiki mineralisation. Gold mineralisation in this area is thought to be related to the Sutakiki system, only 3-4km to the north east.

Chikora, Mbina

During the year the Solomon Gold field crews selected drilling sites at Mbina and Chikora in the Koloula Valley. Mbina hosts gold mineralisation over long intersections, having returned up to 235 m @ 0.32 g/t gold in channel samples in the Koloula diorite, collected in 1997 by ARM. Grades up to 5.5 g/t gold also occur in altered porphyry dykes across the Koloula River. At Chikora, previous drilling by Utah intersected up to 115 m @ 0.3% copper at Chikora in the south west part of the tenement. Detailed structural analysis and sampling of veins recently completed by Solomon gold has indicated that the prospect is low in the intrusive system and hence relatively low in gold contents but higher in copper. However, moving north from Chikora to Mbina and towards the nearby Sutakiki project, the tenor of gold value increases. It is believed by Solomon Gold that the Koloula and Sutakiki lie on the same transform fault structure and are related projects.

OPERATIONS REVIEW

Chikora, Mbina (continued)

Recent reconnaissance by local people has identified locations of native copper mineralisation between Mbina and Chikora. Solomon Gold geologists will follow this target in association with the drilling at Mbina and Chikora.

Kuma Valley

The Company has recently succeeded in entering an agreement in principle with the peoples of the Kuma Valley on the eastern side of the Koloula Valley to access a highly prospective drainage basin on the northern extent of the Kuma Valley. The area shows a wide area of mineralised rock visible from the air. Mapping and sampling is planned when the access agreement is documented and custom ceremonies held, which is expected to occur in October 2006.

Kuma West

Recent reinterpretation of the radiometric data over the area covered by the Koloula tenement has highlighted a zone of high potassium anomalism which indicates a zone of porphyry copper and gold potential previously unidentified. The Company's geologists are planning to investigate this area promptly.

Discovery of porphyry Mineralisation at Mbetilonga*Hambusimaloso and Vatuchichi*

Solomon Gold drilling activity initially focussed on the Hambusimaloso prospect in the Mbetilonga area south of Honiara. The target was an area of very high order copper mineralisation in a volcanic agglomerate containing pieces of mineralised porphyry. The drilling in holes MB1, MB2, MB3 was not successful in identifying the source of the high order copper mineralisation in the area. The drilling program moved to the Hahala porphyry prospect located 500 metres to the north. The first hole at Hahala intersected a fractured and highly altered porphyry system and assays are awaited at the time of this report. Drilling of MB 5 has commenced and completion is not expected until early October 2006. Both holes are drilled into the same porphyry which has returned surface grades of 0.5 g/t in the porphyry and 55 g/t gold in quartz vein material on the southern side of the porphyry. The drilling program will progress to eight targets at Vatuchichi north east of Hahala where magnetic and geochemical data suggests the presence of six additional porphyry targets lying underneath a limestone cover rock sequence of indeterminate thickness.

The area immediately north of Hahala is a topographic anomaly with a circular depression in the limestone. To the north east of this is Grover's Hill which appears to be an intrusive diatreme breccia. This is flanked by widespread advanced alteration characteristic of a mineralised intrusive nearby and is coincident with a magnetic low feature indicative of strong silicification and magnetite depletion to sulphides. This will be subject to drilling shortly.

Extending east from Grover's Hill are a line of magnetic highs which trend across Vatuchichi prospect in a east south east direction beneath limestone cover. Geological mapping has delineated E-W to ESE - WNW striking structures in the area which broadly correspond with this trend.

OPERATIONS REVIEW

Discovery of porphyry Mineralisation at Mbetilonga (continued)*Hambusimaloso and Vatuchichi (continued)*

Geochemical results from soil and rock chip sampling correlate well with these features. The Hahala porphyry shows coincident gold, lead, zinc, tellurium and arsenic anomalies indicative of epithermal quartz veining overprinting a porphyry system. Moderate gold anomalism extends from Vatuchichi across the magnetic highs beneath limestone cover to the east.

Tellurium, indicative of high levels within an epithermal system, is also anomalous at Hahala, Grover's Hill and across Vatuchichi and the magnetic highs to the east. Mercury and arsenic anomalism follow a similar trend.

The presence of mineralised skarn float peripheral to limestone contacts around the Vatuchichi area make the magnetic anomalies beneath the limestone high order porphyry targets.

Recent mapping has identified polymetallic quartz veining between Grover's Hill and Vatuchichi containing strong visible copper, lead, zinc and sulphides. This float is coincident with strong arsenic in soil anomalism and was found close to the top of a ESE trending ridge which follows the general trend of the geochemical and geophysical anomalism across the Grover's - Vatuchichi zone.

Vuralangomma

The Vuralangomma area is prospective for both porphyry copper and epithermal gold and contains significant copper and gold geochemistry at surface. Two drill holes are planned to test the epithermal gold mineralisation and at least one hole to test the porphyry copper system. It is believed by Solomon Gold geologists believe that the Utah holes short of the target and that higher grades are expected further down the holes. This model will be drill tested later this year.

Helicopter contract

During the year the company entered a revised helicopter support contract with Helicopter Support Pty Ltd. The contract provides for the at call use of a Bell 206 Longranger Helicopter. Unused flying time may be accrued by Solomon Gold and will be used for heavy use periods envisaged at Sutakiki in the current year.

Honiara Base

Solomon Gold and its wholly owned subsidiary ARM maintains an office in leased premises in Honiara. The office serves as an operations and communications base for two way radio contact with all field units and the Helicopter Support PL Bell 206 Longranger. In addition to communications, analysis of results and reporting, the office serves as a base for the coordination of the field effort, maintenance of liaison with relevant government departments and the logging and preparation of samples for despatch by freight to the laboratory in Australia.

OPERATIONS REVIEW**Nickel tenements**

Since the end of the year the Company has applied through its wholly owned subsidiary ARM for three Prospecting Licences for Nickel over ultra basic rocks on the Florida Islands, East Guadalcanal and Makira. The applications all have potential for the discovery of laterite and saprolite hosted nickel deposits, developed on the weathered land surfaces of serpentinites. The Florida Islands applications cover serpentinite extensions of the same geology as the nickel laterite deposits on the Islands of San Jorge and Santa Isabel to the north west. Those deposits have been assessed at approximately 50 mt @ 1.1% nickel equivalent as nickel and cobalt. The company intends to conduct a reconnaissance program over the tenement applications following grant.

Principal Risks & Uncertainties

Racial tension resulted in local unrest in Honiara during April 2006. Solomon Gold activities in the field were not directly delayed, however the logistic support chain was disrupted delaying the transport of samples and equipment. Solomon Islands maintains a close working relationship through the Regional Assistance Mission to Solomon Islands (RAMSI), which is strongly represented by Australian, New Zealand, PNG and Fijian contribution in the area of policing and government function.

Other risks were identified in the Admission document and continue to remain as risks. These include risks of flooding, loss and damage as a result of landslides, changes to regulations and their effects, health risks, particularly malaria, which is endemic in Solomon Islands. While every care is taken during operations the risk of injury or death as a result of drilling or helicopter incidents and accidents is real, and may not necessarily be covered by the Company's insurance policies.

FINANCIAL REVIEW

Equity

The Company was incorporated in England and Wales on 11 May 2005 as Solomon Gold Limited with an authorised share capital of £100,000 divided into 1,000,000,000 ordinary shares of £0.0001 each of which one subscriber share was in issue. The Company was re-registered as a public listed company on 22 December 2005.

The Company issued 126,400 warrants to Williams de Broë pursuant to a Pre-Admission Placing. Williams de Broë were the Company's Broker and Nominated Advisor. Subsequent to being acquired by Evolution Group plc on 26 July 2006, Evolution Securities Limited were appointed as Nominated Advisor to the Company. The warrants were constituted pursuant to an instrument dated 13 September 2005 by the Company. Each warrant entitles the holder upon exercise and payment of 30 pence to the allotment and issue of one new ordinary share, fully paid. The warrants are exercisable at any time up to 8 September 2008.

By resolution dated 27 October 2005 the Directors consolidated every 100 ordinary shares of £0.0001 each in issue, and to be issued into 1 ordinary share of 1p each.

By resolution dated 27 October 2005 the Directors increased the nominal capital of the Company by £400,000 beyond the registered capital of £100,000.

On 18 October 2005 the Company issued 10,500,000 ordinary shares to D'Aguilar Gold Limited, in consideration for the acquisition of all of the issued capital of Australian Resource Management (ARM) Pty Ltd ("ARM").

On 14 November 2005 the Company issued 6,325,000 ordinary shares to Pre-Admission Placees for a consideration of £632,500.

On 10 February 2006 the Company completed a placing of 10,000,000 ordinary shares at 50 pence per share (raising £5,000,000 before capital raising expenses) and Admission to trading on AIM.

On 10 February 2006, following the successful Admission to trading on AIM, the Company issued 200,000 warrants to Williams de Broë. Williams de Broë were the Company's Broker and Nominated Advisor. Subsequent to being acquired by Evolution Group plc on 26 July 2006, Evolution Securities Limited were appointed as Nominated Advisor to the Company. Each warrant entitles the holder upon exercise and payment of 50 pence to the allotment and issue of one new ordinary share, fully paid. The warrants are exercisable at any time up to 10 February 2009. In addition, the Company issued 1,739,997 unlisted share options to directors, employees and consultants of the Company. The options were issued free of charge and are exercisable at prices between 50 pence and 100 pence per ordinary share. The period during which these share options can be exercised is between 10 February 2007 and 10 February 2011.

At 30 June 2006 the Company had 26,825,001 ordinary shares, 1,739,997 unlisted options and 326,400 unlisted warrants on issue.

On 12 September 2006 the Company issued 650,000 unlisted share options to directors, employees and consultants of the Company. The options were issued free of charge and are exercisable at prices between 50 pence and 100 pence per ordinary share. The period during which these share options can be exercised is between 10 February 2007 and 10 February 2011.

At the date of this report, the Company had 26,825,001 ordinary shares, 2,389,997 unlisted options and 326,400 unlisted warrants on issue.

Brokers

On 19 July 2005 the Company entered into an agreement with Williams de Broë pursuant to which Williams de Broë was appointed to act as Nominated Advisor and Broker to the Company.

On 26 July 2006, following completion of the acquisition of Williams de Broë by Evolution Group plc, Evolution Securities Limited was appointed as Nominated Adviser and Broker to the Company.

AIM Listing

On 10 February 2006 the Company completed a Placing of 10,000,000 ordinary shares at 50 pence per share (raising £5,000,000) and Admission to trading on AIM.

Auditors

PKF (UK) LLP were appointed as Auditors to the Company on 18 November 2005.

DIRECTORS

The Board comprises of two Executive Directors and three Non-Executive Directors.

Cameron Wenck
(Non-Executive Chairman)

Cameron Wenck (45), appointed 22 November 2005, is a financial adviser and company director with 18 years' experience in the financial services industry. Earlier in his career he worked for the London stockbrokers Scrimgeour Vickers and chartered accountants PricewaterhouseCoopers. He has a Bachelor of Commerce, a Diploma of Financial Planning, is a Fellow of the Australian Society of Accountants and a Certified Financial Planner.

Nicholas Mather
(Chief Executive Officer)

Nicholas Mather (49), appointed 11 May 2005, graduated in 1979 from the University of Queensland with a B.Sc. (Hons, Geology). He has 25 years' experience in exploration and resource company management in a variety of countries. His career has taken him to numerous countries exploring for precious and base metals and fossil fuels. Nicholas Mather has focused his attention on the identification of and investment in large resource exploration projects.

He was managing director of BeMaX Resources NL (an ASX-listed company) from 1997 until 2000 and instrumental in the discovery of the world class Ginkgo mineral sand deposit in the Murray Basin in 1998. As an executive director of Arrow Energy NL (also ASX-listed) until his resignation in 2004, Nicholas Mather drove the acquisition and business development of Arrow's large Surat Basin Coal Bed Methane project in south-east Queensland. He was managing director of Auralia Resources NL, a junior gold explorer, before its USD23 million merger with Ross Mining NL in 1995. He was a non-executive director of Ballarat Goldfields NL until 2004, having assisted that company in its recapitalization and requote on the ASX in 2003.

Nicholas Mather is Chief Executive of D'Aguilar Gold and is a non-executive director of ASX-listed Bow Energy Limited.

David Jelley
(Executive Director - Operations)

David Jelley (38), appointed 18 October 2005, undertook a Bachelor of Applied Science majoring in geology, followed by post graduate honours studies at the University of Ballarat in the late 1980's. Since then he has worked for numerous companies including Pasminco, Newcrest, BeMaX Resources NL and ARM.

Following a career in gold and base metals, David Jelley started in the mineral sands industry in 1998 and was instrumental in the discovery of over 1.5 billion tones of heavy mineral bearing sands including the world class Ginkgo and Snapper mineral sands deposits in the Murray Basin near Pooncarie, New South Wales. The Ginkgo deposit is now in development and Snapper should be developed in the next three years.

David Jelley was the project geologist then senior geologist in charge of ARM's previous exploration on the Tenements during its campaign on Guadalcanal from 1996 to 1998. His years as exploration manager on the world class Pooncarie mineral sands project in south-western New South Wales, Australia have equipped him with the necessary management skills to pursue ARM's projects on Guadalcanal.

Directors continued

Brian Moller **(Non-Executive Director)**

Brian Moller (47), appointed 11 May 2005, is a corporate partner in the Brisbane-based law firm Hopgood Ganim Lawyers, the Australian solicitors to the Company. He was admitted as a solicitor in 1981 and has been a partner at Hopgood Ganim since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

Brian Moller holds an LLB Hons from the University of Queensland and is a member of the Australian Mining and Petroleum Law Association.

Brian Moller acts for many publicly-listed resource and industrial companies and brings a wealth of experience and expertise to the board, particularly in the corporate regulatory and governance areas. He is a non-executive director of D'Aguilar Gold.

Dr Robert Weinberg **(Non-Executive Director)**

Rob Weinberg (59), appointed 22 November 2005, gained his doctorate in geology from Oxford University in 1973. He has more than 30 years experience of the international mining industry and is an independent mining research analyst and consultant. Prior to his current activities he was Managing Director, Institutional Investment at the World Gold Council, and a Director of Gold Bullion Securities. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities. He has also held senior positions within Societe Generale and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd. Dr Weinberg is also a non-executive Director of Falkland Gold and Minerals Ltd, and of Platinum Mining Corporation of India plc.

SECRETARY

Mr Duncan Cornish was the Secretary of the Company during the period and until the date of this report.

Duncan Cornish **(Company Secretary and Chief Financial Officer)**

Duncan Cornish (39) has more than ten years experience in the accountancy profession both in England and Australia, mainly with the accountancy firms Ernst and Young and PricewaterhouseCoopers. He has extensive experience in all aspects of company financial reporting, corporate regulatory and governance areas, business acquisition and disposal due diligence, capital raising and company listings and company secretarial responsibilities.

Mr Cornish is a Chartered Accountant. He holds a Bachelor of Business (Accounting) and is a member of the Australian Institute of Chartered Accountants.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements the directors are required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the period ended 30 June 2006.

INCORPORATION

The Company was incorporated in England and Wales on 11 May 2005 as Solomon Gold Limited.

CHANGE OF NAME AND ADMISSION TO AIM

The name of the Company changed to Solomon Gold plc after it was re-registered as a public company on 22 December 2005. The Company gained admission to the Alternative Investment Market (AIM) on 10 February 2006.

PRINCIPAL ACTIVITIES

The principal activities of Solomon Gold plc (the "Company") and its subsidiary (together "Solomon Gold" or the "Group") is gold and mineral exploration in Solomon Islands. Details of the Group's activities, together with a description of the principal risks and uncertainties facing the Group, and the development of the business, are given in the Chairman's Statement and Operations Review.

The principal activity of the Company is that of a holding company.

GOING CONCERN

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 state, specific financing will be required.

CURRENCY

The functional and presentational currency is Australian dollars ("A\$") and all amounts presented in the Directors' Report and financial statements are presented in Australian dollars unless otherwise indicated.

RESULTS

The Group's consolidated loss for the period was A\$652,322

CHANGES IN SHARE CAPITAL DURING 2006

A statement of changes in the share capital of the Company is set out in note 15 to the financial statements.

DIVIDENDS PAID OR RECOMMENDED

The directors do not recommend the payment of a dividend.

FINANCIAL INSTRUMENTS

The Company does not undertake financial instrument transactions that are speculative or unrelated to the Company's or Group's activities. The Company's financial instruments consist mainly of deposits with banks, accounts payable, and loans to subsidiaries. Further details are provided in note 18 to the financial statements.

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

The Group policy on the payment of creditors is to settle bills in accordance with the terms agreed with suppliers.

At the year end there were 32 days worth of purchases in Group trade creditors and 21 days worth of purchases in Company trade creditors.

SUBSEQUENT EVENTS

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2006.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during the period were as follows:

Cameron Wenck	Non-Executive Chairman (appointed 22 November 2005)
Nicholas Mather	Chief Executive Officer (appointed 11 May 2005)
David Jelley	Executive Director - Operations (appointed 18 October 2005)
Brian Moller	Non-Executive Director (appointed 11 May 2005)
Robert Weinberg	Non-Executive Director (appointed 22 November 2005)
Chris Rawlings	Non-Executive Director (appointed 18 July 2005) (resigned 19 December 2005)
Vincent Mascolo	Non-Executive Director (appointed 11 May 2005) (resigned 18 October 2005)
Ian Levy	Non-Executive Director (appointed 3 August 2005) (resigned 18 October 2005)

The directors who held office at the end of the financial year held interests in the ordinary shares and unlisted options of the Company as shown in the tables below.

On 12 September 2006, the Company issued share options exercisable at prices between 50 pence and 100 pence per ordinary share to the following directors: Cameron Wenck 75,000, Brian Moller 75,000 and Robert Weinberg 75,000. The period during which these share options can be exercised is between 10 February 2007 and 10 February 2011.

Shares held	At 11 May 2005	At 30 June 2006
Nicholas Mather	-	565,159
Brian Moller	-	92,535
Cameron Wenck	-	146,168
David Jelley	-	-
Robert Weinberg	-	-

Directors' report continued

Share options held	At 11 May 2005	At 30 June 2006	Option Price	Exercise Period
Nicholas Mather	-	233,333	50p	10/2/07 - 10/2/10
	-	233,333	75p	10/2/08 - 10/2/11
	-	233,334	100p	10/2/08 - 10/2/11
David Jelley	-	233,333	50p	10/2/07 - 10/2/10
	-	233,333	75p	10/2/08 - 10/2/11
	-	233,334	100p	10/2/08 - 10/2/11

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company has prepared its first year consolidated financial statements under IFRSs for the period ended 30 June 2006. The AIM Rules require conversion to IFRSs for years commencing on or after 1 January 2007 but the directors considered that early adoption was appropriate.

MAJOR SHAREHOLDERS

The Company had been notified of the following interests in Shares held as at 29 September 2006:

Major Shareholders	Number of Shares	% of Issued Capital
Tenstar Trading Ltd	2,540,414	9.47
Mellon Nominees (UK) Limited	1,824,300	6.80
Credit Suisse Client Nominees (UK) Ltd	1,700,000	6.34
Willbro Nominees Ltd	1,614,000	6.02
Westpac Custodian Nominees Limited	1,228,836	4.58

CORPORATE GOVERNANCE

In formulating the Company's corporate governance procedures the Board of Directors takes due regard of the principles of good governance set out in the Revised Combined Code issued by the Financial Reporting Council in July 2003 (as appended to the Listing Rules of the Financial Services Authority) so far as is practicable for a company of Solomon Gold's size.

The board of Solomon Gold plc is made up of two executive directors and three non-executive directors. Cameron Wenck chairs the Board and Nicholas Mather is the Company's Chief Executive. It is the Board's policy to maintain independence by having at least half of the Board comprising non-executive directors who are free from any business or other relationship with the Group. The structure of the Board ensures that no one individual or group dominates the decision making process.

The Board ordinarily meets on a monthly basis providing effective leadership and overall control and direction of the Group's affairs through the schedule of matters reserved for its decision. This includes the approval of the budget and business plan, major capital expenditure, acquisitions and disposals, risk management policies and the approval of the financial statements. Formal agendas, papers and reports are sent to the directors in a timely manner, prior to Board meetings. The Board also receives a summary financial report before each Board meeting. The Board delegates certain of its responsibilities to management, who have clearly defined terms of reference.

All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that all Board procedures are followed. Any director may take independent professional advice at the Company's expense in the furtherance of his duties.

One third of the directors retire from office at every Annual General Meeting of the Company. In general, those directors who have held office the longest time since their election are required to retire. A retiring director may be re-elected and a director appointed by the Board may also be elected, though in the latter case the director's period of prior appointment by the Board will not be taken into account for the purposes of rotation.

The Audit Committee, which meets not less than twice a year and is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored as well as liaising with the Company's auditors to discuss accounts and the Group's internal controls. The Committee is chaired by Brian Moller, the other members being Cameron Wenck and Robert Weinberg. The Audit committee has reviewed the systems in place and considers these to be appropriate.

The Remuneration Committee, which meets at least once a year and is responsible for making decisions on directors' remuneration packages, is chaired by Cameron Wenck. Brian Moller and Robert Weinberg are the other committee members.

Remuneration of executive directors is established by reference to the remuneration of executives of equivalent status both in terms of the level of responsibility of the position and by reference to their job qualifications and skills. The Remuneration Committee will also have regard to the terms which may be required to attract an executive of equivalent experience to join the Board from another company. Such packages include performance related bonuses and the grant of share options.

The Board attaches importance to maintaining good relationships with all its shareholders and ensures that all price sensitive information is released to all shareholders at the same time, in accordance with London Stock Exchange rules. The Company's principal communication with its investors is through the Annual General Meeting and through the annual report and accounts and the interim statement.

The 2006 Annual General Meeting will provide an opportunity for the Chairman to present to the shareholders a report on current operations and developments and will enable the shareholders to question and express their views about the Company's business. A separate resolution will be proposed on each substantially separate issue, including the receipt of the financial statements and shareholders will be entitled to vote either in person or by proxy.

A Health, Safety, Environment and Community Committee (HSEC Committee) is be responsible for the overall health, safety and environmental performance of the Company and its operations and its relationship with the local community and is chaired by Nicholas Mather, the other members being David Jelley and Robert Weinberg.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable donations in the year.

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AUDITORS

A resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming annual general meeting.

Provision of information to auditors

In the case of each of the directors who are directors of the Company at the date when this report is approved:

- So far as they are individually aware, there is no relevant audit information of which the Company's auditors are unaware; and
- Each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

By order of the Board.

29 September 2006

Duncan Cornish
Company Secretary
Level 5, 60 Edward Street
Brisbane QLD 4000
Australia



INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SOLOMON GOLD PLC

We have audited the group and parent company financial statements ('the financial statements') of Solomon Gold plc for the period ended 30 June 2006 which comprise the consolidated profit and loss account and the consolidated and company balance sheets, cash flow statements and statements of change in shareholders' equity and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's statement, the operations review and financial review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 June 2006 and of its loss for the period then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 June 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

PKF(UK) LLP

PKF (UK) LLP
Registered Auditors
London, UK

29 September 2006

Consolidated Income Statement for the period from 11 May 2005 to 30 June 2006

	Notes	Group 2006 A\$
Revenue		-
Cost of sales		-
Gross profit		-
Other income		72,924
Administrative expenses		(908,064)
Exploration costs written off		(10,000)
Operating loss		(845,140)
Finance income	6	192,818
Loss before and after tax	3	(652,322)
Loss for the period		(652,322)
Basic and diluted loss per ordinary share		
- Basic and diluted	8	(0.0431)

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Consolidated and Company Balance sheets as at 30 June 2006

	Notes	Group 2006 A\$	Company 2006 A\$
Assets			
Property, plant and equipment	10	71,189	2,173
Intangible assets	11	2,201,948	-
Investment in subsidiary	9	-	2,248,885
Total non-current assets		2,273,137	2,251,058
Other receivables and prepayments	13	257,677	220,228
Cash and cash equivalents	14	9,077,456	9,055,488
Total current assets		9,335,133	9,275,716
Total assets		11,608,270	11,526,774
Equity			
Share capital	15	631,679	631,679
Share premium	15	10,752,408	10,752,408
Other reserves		389,874	389,874
Retained loss		(652,322)	(553,631)
Total equity		11,121,639	11,220,330
Liabilities			
Trade and other payables	16	486,631	306,444
Total current liabilities		486,631	306,444
Total liabilities		486,631	306,444
Total equity and liabilities		11,608,270	11,526,774

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 29 September 2006.

Nicholas Mather
Director



Statement of Changes in Equity

Group Statement of changes in shareholders' equity

	Note	Share capital AS	Share premium AS	Share option reserve AS	Warrants reserve AS	Retained loss AS	Total AS
Balance at 11 May 2005*		-	-	-	-	-	-
Loss for the period		-	-	-	-	(652,322)	(652,322)
New share capital subscribed		631,679	12,879,279	-	-	-	13,510,958
Share issue costs		-	(2,126,871)	-	-	-	(2,126,871)
Value of options issued to directors, employees and consultants		-	-	217,071	-	-	217,071
Value of warrants issued to Nomad and Broker		-	-	-	172,803	-	172,803
Balance 30 June 2006	15	631,679	10,752,408	217,071	172,803	(652,322)	11,121,639

Company Statement of changes in shareholders' equity

	Note	Share capital AS	Share premium AS	Share option reserve AS	Warrants reserve AS	Retained loss AS	Total AS
Balance at 11 May 2005*		-	-	-	-	-	-
Loss for the period		-	-	-	-	(553,631)	(553,631)
New share capital subscribed		631,679	12,879,279	-	-	-	13,510,958
Share issue costs		-	(2,126,871)	-	-	-	(2,126,871)
Value of options issued to directors, employees and consultants		-	-	217,071	-	-	217,071
Value of warrants issued to Nomad and Broker		-	-	-	172,803	-	172,803
Balance 30 June 2006	15	631,679	10,752,408	217,071	172,803	(553,631)	11,220,330

* The Company was incorporated on 11 May 2005 with one subscriber share of £0.0001.

Consolidated and Company Statement of Cash Flows for the period from 11 May 2005 to 30 June 2006

	Note	Group 2006 A\$	Company 2006 A\$
Cash flows from operating activities			
Operating loss		(652,322)	(553,631)
Depreciation		12,290	117
Share based payment expense		217,071	217,071
Increase in other receivables and prepayments		(253,587)	(220,228)
(Decrease)/increase in trade and other payables		(23,608)	145,865
Forgiveness of loan liability	3	(72,924)	-
Cash used in operations		(773,080)	(410,806)
Net cash outflow from operating activities		(773,080)	(410,806)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(72,147)	(2,290)
Acquisition of intangible assets (exploration expenditure)		(1,541,712)	-
Loans advanced to subsidiary		-	(1,978,314)
Payment for subsidiaries net of cash acquired		17,497	-
Net cash outflow from investing activities		(1,596,362)	(1,980,604)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		13,240,362	13,240,362
Payment of issue costs		(1,793,464)	(1,793,464)
Net cash inflow from financing activities		11,446,898	11,446,898
Net increase in cash and cash equivalents		9,077,456	9,055,488
Cash and cash equivalents at beginning of period		-	-
Cash and cash equivalents at end of period		9,077,456	9,055,488

Notes to the financial statements for the period ended 30 June 2006

Notes to the Financial Statements for the period ended 30 June 2006

NOTE 1 ACCOUNTING POLICIES

The Company is a public limited company incorporated in England and Wales and is listed on the AIM market of the London Stock Exchange.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs and its interpretations issued by the International Accounting Standards Board (IASB), which are the same as those adopted by the European Union.

The accounting policies set out below have been applied consistently throughout these consolidated financial statements.

(b) 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 statement in accordance with IFRSs.

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The directors consider that the current funds available are sufficient to progress the Company's planned exploration programmes and that it has sufficient working capital for at least the next twelve months. The directors therefore consider it appropriate to prepare these financial statements on the going concern basis.

However, the existing 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 it may not be able to fully develop the project.

(c) Basis of consolidation*(i) Subsidiaries*

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 30 June each year. Control is recognised where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair value at the date of acquisition. Any excess of the cost of the acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the fair value of net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the financial statements for the period ended 30 June 2006

Unrealised gains arising from transactions with associated and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(d) Foreign currency

The Company's functional and presentational currency is Australian dollars (A\$). The exchange rate at 30 June 2006 was £0.40205/A\$1.0 (11 May 2005: £0.41254/A\$1.0).

(e) Property, plant and equipment*(i) Owned asset*

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy i below).

(ii) Subsequent costs

The Group recognises in the carrying amount of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. The estimated useful lives of all categories of assets are three to five years.

The residual value is assessed annually. Gains and losses on disposal are determined by comparing proceeds with carrying amounts and are included in the income statement.

(f) Intangible assets*Deferred exploration and evaluation costs*

All costs incurred prior to obtaining the legal right to undertake exploration and evaluation activities on a project are written-off as incurred.

Exploration and evaluation costs arising following the acquisition of an exploration licence are capitalised on a project-by-project basis, pending determination of the technical feasibility and commercial viability of the project. Costs incurred include appropriate technical and administrative overheads. Deferred exploration costs are carried at historical cost less any impairment losses recognised.

If an exploration project is successful, the related expenditures will be transferred to mining assets and amortised over the estimated life of the ore reserves on a unit of production basis.

The recoverability of deferred exploration and evaluation costs is dependent upon the discovery of economically recoverable ore reserves, the ability of the Group to obtain the necessary financing to complete the development of ore reserves and future profitable production or proceeds from the disposal thereof.

(g) Trade and other receivables

Trade and other receivables are not interest bearing and are stated at amortised cost.

(h) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowing in current liabilities on the balance sheet.

Notes to the financial statements for the period ended 30 June 2006**NOTE 1 ACCOUNTING POLICIES continued****(i) Impairment**

Whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable an asset is reviewed for impairment. An asset's carrying value is written down to its estimated recoverable amount (being the higher of the fair value less costs to sell and value in use) if that is less than the asset's carrying amount.

Impairment reviews for deferred exploration and evaluation costs are carried out on a project-by-project basis, with each project representing a potential single cash generating unit. An impairment review is undertaken when indicators of impairment arise, typically when one of the following circumstances apply:

- Unexpected geological occurrences that render the resource uneconomic;
- Title to the asset is compromised;
- Variations in metal prices that render the project uneconomic; and
- Variations in the currency of operation.

(j) Share capital

The Company's ordinary shares are classified as equity.

(k) Employee benefits***(i) Share based payment transactions***

Certain Group employees are rewarded with share based instruments. These are stated at fair value at the date of grant and this is expensed on a straight line basis over the estimated vesting period. The latter is based on the Group's estimate of shares that will eventually vest.

Fair value is estimated using either a binomial or a Black-Scholes valuation model, whichever is more appropriate to the instrument granted. The estimated life of the instrument used in the model is adjusted for management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations.

(l) Provisions

Provisions are recognised when the Group has a legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated.

(m) Trade and other payables

Trade and other payables are not interest bearing and are stated at amortised cost.

(n) Revenue

During the exploration phase, any revenue generated from incidental sales is treated as a contribution towards previously incurred costs and offset accordingly.

(o) Expenses***(i) Net financing costs***

Net financing costs comprise interest payable on borrowing calculated using the effective interest rate method and interest receivable on funds invested.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

Notes to the financial statements for the period ended 30 June 2006

NOTE 1 ACCOUNTING POLICIES continued

(p) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account the deferred tax. Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit or loss, and is accounted for using the balance sheet method.

Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available in the foreseeable future against which the temporary differences can be utilised.

(q) Segment reporting

A segment is a component of the Group distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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

(r) Business combinations

Business combinations are accounted for by applying the purchase method whereby the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities at their fair values at the acquisition date, and also recognises goodwill, which is subsequently tested for impairment rather than amortised.

(s) Accounting policies for the Company

The accounting policies applied to the Company are consistent with those adopted by the Group with the exception of the following:

(i) Company income statement

As permitted by Section 230 of the Companies Act 1985, the income statement of the Company has not been separately presented in these financial statements.

(ii) Subsidiary investments

Investments in subsidiary undertakings are stated at cost less impairment losses.

NOTE 2 SEGMENT REPORTING

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

Notes to the financial statements for the period ended 30 June 2006

NOTE 3 LOSS BEFORE TAX

	Group 2006 A\$
Loss is stated after charging/(crediting):	
Auditors' remuneration:	
Group audit - auditors	8,400
Company audit - auditors	12,500
- auditors' affiliates	29,559
Other services - auditors ⁽¹⁾	108,206
Depreciation	12,290
Forgiveness of loan liability ⁽²⁾	(72,924)

(1) Other services provided by the auditors and their associates in 2006 primarily relate to preparing the Accountant's Reports for inclusion in the Company's Admission Document.

(2) The former parent company of ARM forgave intercompany debts of A\$72,924.

NOTE 4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Group (including directors) during the year, analysed by category, was as follows:

	Number of employees 2006
Corporate finance and administration	7
Technical	16
	23

The aggregate payroll costs of these persons were as follows:

	2006 A\$
Wages and salaries	984,598
Contributions to defined contribution plans	10,018
Share based payments	217,071
	1,211,687

Included within staff costs is A\$715,128 which has been capitalised as part of deferred exploration costs.

Notes to the financial statements for the period ended 30 June 2006

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary A\$	Other Benefits A\$	Pensions A\$	Total Remuneration A\$
2006				
Directors				
Nicholas Mather	271,888	87,329	-	359,217
Brian Moller	55,347	-	-	55,347
Cameron Wenck	49,805	-	-	49,805
David Jelley	104,517	87,329	-	191,846
Robert Weinberg	32,490	-	-	32,490
	514,047	174,658	-	688,705
Non-Directors	160,646	-	-	160,646
TOTAL	674,693	174,658	-	849,351

NOTE 6 FINANCE INCOME

	Group 2006 A\$
Interest income	192,818
Finance income	192,818

NOTE 7 INCOME TAX EXPENSE

Factors affecting the tax charge for the current period

The tax credit for the period is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK and Australia - 30%. The differences are explained below.

	Group 2006 A\$
Tax reconciliation	
Loss before tax	(652,322)
Tax at 30% (2005: 30%)	(195,697)
Effects (at 30%) of:	
Capitalisation of exploration costs	(423,896)
Non-deductible expenses	116,963
Tax losses carried forward	502,630
Tax on loss	-

Factors that may affect future tax charges

The Group has tax losses of A\$502,630 carried forward which may be deductible from future taxable profits.

Notes to the financial statements for the period ended 30 June 2006

NOTE 8 LOSS PER SHARE

The calculation of (basic) loss per ordinary share on total operations is based on losses of A\$652,322 and the weighted average number of ordinary shares outstanding of 15,122,193.

There is no difference between the diluted loss per share and the basic loss per share presented as the share options on issue during the period were not considered dilutive. At 30 June 2006 there were 1,739,997 share options on issue.

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of Incorporation and operation	Principal activity	Solomon Gold plc's effective interest 2006
Australian Resource Management (ARM) Pty Ltd	Australia	Exploration	100%

	Shares A\$	Loans A\$	Investment in subsidiary undertakings Total A\$
Cost			
Balance at 11 May 2005 *	-	-	-
Other acquisitions	270,571	-	270,571
Advances in the period	-	1,978,314	1,978,314
Balance 30 June 2006	270,571	1,978,314	2,248,885
Amortisation and impairment losses			
Balance at 11 May 2005	-	-	-
Balance 30 June 2006	-	-	-
Carrying amounts			
At 11 May 2005	-	-	-
At 30 June 2006	270,571	1,978,314	2,248,885

* Solomon Gold plc was incorporated on 11 May 2005.

Notes to the financial statements for the period ended 30 June 2006

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

The Company acquired Australian Resource Management (A.R.M.) Pty Ltd ("ARM") on 18 October 2005 from D'Aguilar Gold Limited in exchange for 10.5 million Solomon Gold shares.

The consideration and net assets of ARM at the date of acquisition were as follows:

	2006 A\$
Consideration:	
10.5 million ordinary shares of Solomon Gold Ltd	270,571
Net assets (book and fair value):	
Property, plant and equipment	11,332
Exploration expenditure	660,236
Cash assets	17,497
Receivables	4,065
Payables	(422,559)
	270,571

For the year prior to its acquisition, ARM had no turnover and made a loss of A\$126.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment A\$	Group Motor vehicles A\$	Office equipment A\$	Total A\$	Company A\$
Cost					
Balance 11 May 2005*	-	-	-	-	-
Additions	32,318	30,092	21,069	83,479	2,290
Disposals	-	-	-	-	-
Balance 30 June 2006	32,318	30,092	21,069	83,479	2,290
Depreciation and impairment losses					
Balance 11 May 2005*	-	-	-	-	-
Depreciation charge for the year	(3,439)	(3,256)	(5,595)	(12,290)	(117)
Disposals	-	-	-	-	-
Balance 30 June 2006	(3,439)	(3,256)	(5,595)	(12,290)	(2,173)
Carrying amounts					
At 11 May 2005*	-	-	-	-	-
At 30 June 2006	28,879	26,836	15,474	71,189	2,173

* Solomon Gold plc was incorporated on 11 May 2005

Notes to the financial statements for the period ended 30 June 2006

NOTE 11 INTANGIBLE ASSETS

	Deferred exploration costs A\$
Cost	
Balance 11 May 2005*	-
Additions	2,201,948
Disposals	-
Balance 30 June 2006	2,201,948
Amortisation and impairment losses	
Balance 11 May 2005*	-
Provision for impairment	-
Balance 30 June 2006	-
Carrying amounts	
At 11 May 2005*	-
At 30 June 2006	2,201,948

* Solomon Gold plc was incorporated on 11 May 2005

Impairment loss

During the year the Group has not considered it necessary to make a provision for impairment against any of its deferred exploration assets.

NOTE 12 DEFERRED TAXATION

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following potential amounts which have been calculated based on a future tax rate of 30%.

	Group 2006 A\$
Deductible temporary differences	15,972
Tax losses	502,630
	518,602

The tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in the foreseeable future against which the Group can utilise the benefits therefrom.

Notes to the financial statements for the period ended 30 June 2006

NOTE 13 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2006 A\$	Company 2006 A\$
Other receivables	212,486	175,037
Prepayments	45,191	45,191
	257,677	220,228

NOTE 14 CASH AND CASH EQUIVALENTS

	Group 2006 A\$	Company 2006 A\$
Bank balances	501,633	479,665
Call deposits	8,575,823	8,575,823
Cash and cash equivalents in the statement of cash flows	9,077,456	9,055,488

NOTE 15 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2006 No. of shares	2006 Nominal value £
On incorporation - ordinary shares of £0.0001 each	1,000,000,000	100,000
Consolidated into ordinary shares of £0.01 each on 27 October 2005	10,000,000	100,000
Creation of additional shares of £0.01 each on 27 October 2005	40,000,000	400,000
At 30 June 2006 - Ordinary Shares	50,000,000	500,000

Notes to the financial statements for the period ended 30 June 2006

NOTE 15 CAPITAL AND RESERVES continued

(b) Changes in issued Share Capital and Share Premium

For the period ended 30 June 2006

	Number of shares	Nominal value A\$	Share premium A\$	Total A\$
Subscriber share issued upon incorporation 11 May 2005	1	-	-	-
Share issued for purchase of Australian Resource Management (A.R.M.) Pty Ltd on 18 October 2005	10,500,000	245,838	24,733	270,571
Shares issued at £0.10 - placing 14 November 2005	6,325,000	151,291	1,361,618	1,512,909
Share issue costs charged to share premium	-	-	(76,359)	(76,359)
Shares issued at £0.50 - placing 10 February 2006	10,000,000	234,550	11,492,928	11,727,478
Share issue costs charged to share premium	-	-	(2,050,512)	(2,050,512)
Ordinary shares of 1p each	26,825,001	631,679	10,752,408	11,384,087

Potential issues of ordinary shares

At 30 June 2006 the Company had 1,739,997 options and 326,400 warrants outstanding for the issue of ordinary shares, as follows:

Options

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2006
10 February 2006	10 February 2006	10 February 2011	£0.50 to £1.00	1,739,997	1,739,997
				1,739,997	1,739,997

Warrants

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2006
13 September 2005	13 September 2005	8 September 2008	£0.30	126,400	126,400
10 February 2006	10 February 2006	10 February 2009	£0.50	200,000	200,000
				326,400	326,400
Total contingently issuable shares at 30 June 2006					2,066,397

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes to the financial statements for the period ended 30 June 2006

NOTE 15 CAPITAL AND RESERVES continued

Share options and warrants

On 12 September 2006 the Company issued 650,000 unlisted share options to directors, employees and consultants of the Company. The options were issued free of charge and are exercisable at prices between 50 pence and 100 pence per ordinary share. The period during which these share options can be exercised is between 1 January 2007 and 1 January 2011.

On 10 February 2006, following the successful Admission to trading on AIM, the Company issued 1,739,997 unlisted share options to directors, employees and consultants of the Company. The options were issued free of charge and are exercisable at prices between 50 pence and 100 pence per ordinary share. The period during which these share options can be exercised is between 1 January 2007 and 1 January 2011.

The Company issued 126,400 warrants to Williams de Broë pursuant to a Pre-Admission Placing. Williams de Broë are the Company's broker and nominated advisor, and have subsequently been acquired by the Evolution Group plc. The warrants were constituted pursuant to an instrument dated 13 September 2005 by the Company. Each warrant entitles the holder upon exercise and payment of 30 pence to the allotment and issue of one new ordinary share, fully paid. The warrants are exercisable at any time up to 8 September 2008.

On 10 February, following the successful Admission to trading on AIM, the Company issued 200,000 warrants to Williams de Broë. Each warrant entitles the holder upon exercise and payment of 50 pence to the allotment and issue of one new ordinary share, fully paid. The warrants are exercisable at any time up to 10 February 2009.

Dividends

The directors do not recommend the payment of a dividend.

NOTE 16 TRADE AND OTHER PAYABLES

	Group 2006 AS	Company 2006 AS
Current		
Trade payables	115,731	42,234
Other payables	216,155	160,604
Accrued expenses	154,745	103,606
	486,631	306,444

Notes to the financial statements for the period ended 30 June 2006

NOTE 17 EMPLOYEE BENEFITS

Share-based payments

On 10 February 2006, following the successful Admission to trading on AIM, the Company issued 1,739,997 unlisted share options to directors, employees and consultants of the Company. The options were issued free of charge and are exercisable at prices between 50 pence and 100 pence per ordinary share. The options are exercisable between 10 February 2007 and 10 February 2011, subject to the vesting conditions set by the Board at the time of the grant.

The number and weighted average exercise price of share options are as follows:

	Weighted average exercise price 2006	Number of options 2006
Outstanding at the beginning of the period	-	-
Forfeited during the period	-	-
Exercised during the period	-	-
Expired during the period	-	-
Granted during the period	£0.75	1,739,997
Outstanding at the end of the period	£0.75	1,739,997
Exercisable at the end of the period	-	-

The options outstanding at 30 June 2006 have an exercise price in the range of £0.50 pence and £1.00 pence (2005: £0) and a weighted average contractual life of 4.29 years (2005: nil).

Share options held at 30 June 2006	Share options held at 11 May 2005	Option price	Exercise periods
579,998	-	£0.50	10/02/07 - 10/02/10
579,998	-	£0.75	10/02/08 - 10/02/11
580,001	-	£1.00	10/02/08 - 10/02/11
1,739,997	-		

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. This estimate is based on a Black-Scholes model which is considered most appropriate considering the effects of the vesting conditions, expected exercise period and the dividend policy of the Company.

Fair value of share options and assumptions	£0.50 options	£0.75 options	£1.00 options
Fair value at issue date	£0.50	£0.50	£0.50
Exercise price	£0.50	£0.75	£1.00
Expected volatility	51.173%	51.173%	51.173%
Option life	3.88 years	4.88 years	4.88 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	4.296%	4.263%	4.263%

The calculation of the volatility of the share price was based on the Company's daily closing share price over the period from issue date to the date of calculation of the option valuation (22 September 2006).

Notes to the financial statements for the period ended 30 June 2006

NOTE 18 FINANCIAL INSTRUMENTS

The Board of directors determines, if required, the degree to which it is appropriate to use financial instruments, commodity contracts or other hedging contracts or techniques to mitigate risks. The main risks for which such instruments may be appropriate are foreign currency risk and liquidity risk, each of which is discussed below. There is no perceived credit risk as the Group has no trade receivables.

During the period ending 30 June 2006 no trading in commodity contracts was undertaken.

Foreign currency risk

The Group has potential currency exposures in respect of items denominated in foreign currencies comprising:

- Transactional exposure in respect of operating costs, capital expenditures and, to a lesser extent, sales incurred in currencies other than the functional currency of operations which require funds to be maintained in currencies other than the functional currency of operation; and
- Translational exposures in respect of investments in overseas operations which have functional currencies other than Australian dollars. Currency risk in respect of non-functional currency expenditure is reviewed by the Board.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than the Group functional currency. Foreign exchange differences on retranslation of such assets and liabilities are taken to the income statement.

	Group 2006 A\$
Solomon Island dollar (SBD)	16,683

In respect of other monetary assets and liabilities held in currencies other than Australian dollars, the Group ensures that the net exposure is kept to an acceptable level, by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances.

Liquidity risks

The Group raises funds as required on the basis of budgeted expenditure for the next twelve months. When funds are sought, the Group balances the costs and benefits of equity and debt financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. Funds are provided to local sites monthly, based on the sites' forecast expenditure.

Fair values

The fair values reflect the carrying amounts shown in the balance sheet.

For receivables and payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables and payables are not deemed material and have used the notional amount to determine the fair value.

NOTE 19 COMMITMENTS

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 Group expects to utilise the minimum flying hours over the commitment period.

Notes to the financial statements for the period ended 30 June 2006

NOTE 20 RELATED PARTIES

(a) Group

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Transactions with Directors and Director-Related Entities

- (i) On 6 December 2005 Solomon Gold Plc has entered into a consultancy agreement with Samuel Capital Ltd ("Samuel"), an entity associated with Nicholas Mather (a director). Under this agreement, Mr Mather will act as an executive director of the Company at an annual salary of £69,500, terminable by either party giving twelve months written notice. The appointment of Samuel shall be for two years, unless a renewal has been mutually agreed upon, from the date of Admission (10 February 2006). Samuel provided consultancy services to the Company prior to 6 December 2006 on commercial terms. At 30 June 2006 A\$271,888 was payable to Samuel (2005: A\$ nil). These amounts are included in Note 5 (Remuneration of Key Management Personnel).
- (ii) 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 and 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 and Services Agreement by the other party or upon three months written notice to the other party. D'Aguilar Gold Ltd was paid A\$8,426 for the provision of administration, management and office facilities to the Company during the year.
- (iii) Mr Brian Moller (a director), is a partner in the Australian firm Hopgood Ganim lawyers. Hopgood Ganim were paid A\$364,165 for the provision of legal services to the Company during the year. The services were based on normal commercial terms and conditions.

(b) Share and Option transactions of Directors are shown in the Directors Report

(b) Company

The Company has a related party relationship with its subsidiary (see note 9), directors and other key personnel (see note 20 (a)).

Subsidiary

The Company has an investment in subsidiary balance of A\$2,248,885 which comprises funds advanced during the period of A\$1,978,314 (see note 9). As the Company does not expect repayment of this amount and will not call payment until the subsidiary can adequately pay it out of working capital, this amount has been included in the carrying amount of the investment in the Parent Entity's balance sheet. The following table details transactions carried out with subsidiary undertakings:

	Group 2006 A\$
Transfer of cash to subsidiaries	704,261
Settlement of liabilities by the Company on behalf of subsidiaries	1,274,053
	<u>1,978,314</u>

NOTE 20 RELATED PARTIES continued

Notes to the financial statements for the period ended 30 June 2006

The Company has a professional services agreement with ARM to provide certain management services to ARM. During the period A\$16,800 was paid to the Company for the provision of professional services.

(c) Controlling party

In the directors' opinion there is no ultimate controlling party.

NOTE 21 SUBSEQUENT EVENTS

There have been no events since the end of the financial year that impact upon the financial report as at 30 June 2006.

NOTE 22 ACCOUNTING ESTIMATES AND JUDGEMENTS**Key sources of estimation uncertainty**

The Audit Committee has carried out an assessment of the carrying values of deferred exploration costs and any required impairment.

Koloula PL 02/05

Exploration on Koloula PL 02/05 is at an early stage and the drill testing of the key targets has not yet commenced. Drilling targets have been prepared for several localities in the tenement based on data collected by the Company and its subsidiaries in 1996 and 1997. There is no exploration data to hand, or access or other conditions notified or evident which have the effect of adversely affecting the prospectivity of the tenement. It is considered likely that ongoing exploration and expenditure will result in a resource or commercial arrangement in excess of the costs of such a discovery. The carrying value of A\$0.2 million is considered to be unimpaired.

Central Guadalcanal PL 03/05

Exploration on Central Guadalcanal PL 02/05 is at an early stage and the drill testing of the key targets has not yet commenced. Previous rock chip channel sampling of anomalies in the tenement by previous workers and Solomon Gold's wholly owned subsidiary ARM, demonstrates potential for the presence of significant gold resources. There is no exploration data to hand, or access or other conditions notified or evident which have the effect of adversely affecting the prospectivity of the tenement. It is considered likely that ongoing exploration and expenditure will result in a resource or commercial arrangement in excess of the costs of such a discovery. The carrying value of A\$0.2 million is considered to be unimpaired.

Mbetilonga PL 04/05

Exploration on Mbetilonga PL 02/05 is at an early stage and the drill testing of the key targets has not yet been completed. Five holes have been drilled into two prospects in the tenement and assay data from the last two holes are awaited. Assay data from the first three holes are low and it is believed that the holes were drilled on the periphery of a significant mineral system. Rock types encountered in the last two holes are considered to be highly prospective. There is no exploration data to hand, or access or other conditions notified or evident which have the effect of adversely affecting the prospectivity of the tenement. It is considered likely that ongoing exploration and expenditure will result in a resource or commercial arrangement in excess of the costs of such a discovery. The carrying value of A\$1.4 million is considered to be unimpaired.

Notes to the financial statements for the period ended 30 June 2006**NOTE 22 ACCOUNTING ESTIMATES AND JUDGEMENTS continued****Key sources of estimation uncertainty (continued)***Sutakiki PL 05/05*

Exploration on Sutakiki PL 02/05 is at an early stage and the drill testing of the key targets has not yet commenced. The Company is actively engaged in the procurement of a drilling rig to test encouraging results from mapping and sampling programs through the year. The mapping and sampling programs in the tenement are consistent with the discovery of a significant gold and copper mineral system which may ultimately yield resources. There is no exploration data to hand, or access or other conditions notified or evident which have the effect of adversely affecting the prospectivity of the tenement. It is considered likely that ongoing exploration and expenditure will result in a resource or commercial arrangement in excess of the costs of such a discovery. The carrying value of A\$0.3 million is considered to be unimpaired.

Kuma Application

Exploration on Kuma is at an early stage and the mapping and sampling phase of the program of testing of the key targets has not yet commenced. An agreement in principle has been reached to provide for access into local peoples land. The project area and prospects are considered to have been enhanced by the results in the nearby Sutakiki area. There is no exploration data to hand, or access or other conditions notified or evident which have the effect of adversely affecting the prospectivity of the tenement. It is considered likely that ongoing exploration and expenditure will result in a resource or commercial arrangement in excess of the costs of such a discovery. The carrying value of A\$0.2 million is considered to be unimpaired.

Critical accounting judgements

No critical accounting judgements that would have a significant effect on the amounts recognised in the financial statements have been made by the directors and management of the Company in applying the Group's accounting policies.