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Solomon Gold plc

Annual Report

For the period ended 30 June 2008

CORPORATE INFORMATION

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

COMPANY SECRETARY
Kevin Nagle

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

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

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

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

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

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

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

CHAIRMAN'S STATEMENT

Dear Shareholder,

The year ending June 2008 was the Company's strongest ever in respect of our drilling program and resulted in approximately 14,000 metres drilled and a large number of core samples assayed and tested over mineralised zones. Our encouraging discovery at Sutakiki in November last year provided us with great optimism, driving our decision to further intensify our drilling efforts in the Sutakiki area. Unfortunately subsequent drilling and sampling, whilst promising, has not yet delivered sufficient results to define a resource.

The seeds of concern planted into credit markets in the US in 2007, have grown into what is now a severe credit crisis throughout the world. This has had significant ramifications for Solomon Gold, since the pool of capital available for investment to fund its aggressive drilling program has virtually dried up. As a result the company has had to refocus its exploration program to suit market conditions. Accordingly the company's drilling activities have been recently wound back which, together with significant reductions in support overheads is leading to considerable cost savings. Unfortunately this has meant retrenching a number of staff whose loyalty and hard work during their time with Solomon Gold has been greatly appreciated.

The focus of our current exploration activities is now firmly at the grass roots, the objective being to find and add value without using capital intensive drilling programs as an exploration tool. This marks a return to our original strategy adopted when the company was first floated, and before we had such encouraging drill results from Sutakiki. Recently, following considerable discussions and field visits, Solomon Gold agreed a Terms Sheet with Newmont Ventures Limited, a wholly owned subsidiary of Newmont Mining Corporation in respect of the five core central Guadalcanal tenements.

Newmont can earn a 70% interest of these areas over the next five years by expending US$12 million. We believe that the injection of capital and expertise by Newmont provides a higher likelihood of a discovery and successful development with considerably less dilution to the current shareholders than if we had continued on a 100% basis with the attendant dilutive share issue in a poor market. The Terms Sheet with Newmont is intended to form a basis for a binding definitive agreement under negotiation. We are aiming for a completion of this by 26 January 2009.

The Company's efforts over the last 2 years have not been wasted. Our growing geological understanding of the project area is being applied to the valuable store of data that we have already acquired. This has led to the delineation of some promising targets previously overlooked particularly at Mbetilonga, Chupukama and Kuma. During the last quarter, detailed mapping and sampling at the Hambusimaloso prospect in the Mbetilonga tenement, 15km south of Honiara, outlined an area of 300m x 400m characterised by rich copper mineralisation typical of the upper zone of a mineralised copper porphyry system. Additional mapping and sampling of the Kuma project area has defined the extent and geochemistry of an extensive area of pyrite silica cap rock thought to overlie a porphyry prospect at depth. These prospects are exciting and highly prospective in our view.

The airborne electromagnetic survey has been completed and once processed will enable the identification of a renewed set of targets for detailed mapping and sampling (prior to drill testing) in these areas. Solomon Gold believes that this will highlight a number of interesting anomalies at Mbetilonga and new opportunities at Sutakiki as well as in the previously untested areas of Kuma, Chupukama and the Koloula Valley.

Koloula, Central Guadalcanal and Mbetilonga licences were renewed for 2 years from the 8 December 2008 to 7 December 2010 and the current term of Prospecting Licence 05/05 over Sutakiki has been extended by 8 months following which renewals may be made.

The other prospect emerging as showing significant potential is Ngella Island in the Florida Group (of islands), 10km north of Honiara, where we continue to encounter encouraging nickel values across an identified zone over 2km long and 1km wide. The area contains potentially economic nickel grades of up to 2% nickel in the lowest sample of one of the pits. The Company considers that many of the hand dug surface pits have not yet reached a sufficient depth to have sampled the mineralised zone. It is also believed that the nickel bearing layer extends under cover to the south. A maiden resource of 1.695Mt @ 0.6% nickel and 0.06% cobalt has been defined and a target of 5.4 Mt at a grade of 1.0% nickel and 0.1% cobalt has been outlined.

Despite a change of government earlier this year, the political environment has been relatively stable. The maintaining of law and order at all times throughout the period is encouraging and the Solomon Island Government and RAMSI (the protective detachment of the Australian Government) are to be congratulated for their efforts.

On behalf of the board, I wish to acknowledge the unprecedented commitment of our managers and staff in the field. Their tireless and often unheralded work, in very difficult working and operating conditions, make an immeasurable contribution to our company.

The company has recently raised capital to fund the exploration efforts of the company going forward on the projects not farmed out to Newmont and any new opportunities which may present themselves and operating capital generally. Solomon Gold continues to work resolutely on further investment options to secure the Company's future prospects and its unflagging objective to discover and define a world-class copper/gold mineral system.

Cameron Wenck
Chairman

FINANCIAL REVIEW

Equity

On 18 December 2007 the Company completed a placing of 17,500,000 ordinary shares at 18 pence per share for a cash consideration of £3,150,000 (A$7,233,270 less share issue costs of A$130,819).

On 23 August 2007, 700,000 unlisted share options in Solomon Gold plc were cancelled as a result of employee resignations.

On 31 December 2007 the Company issued 1,380,000 unlisted share options to management and staff of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 December 2007 and 31 December 2010.

On 31 December 2007 the Company also granted 500,000 unlisted share options for nil consideration to RFC Corporate Finance Limited ("RFC"), the Company's nominated advisor ("NOMAD"). RFC were appointed as NOMAD on 8 November 2007. These share options were granted at an exercise price of 20 pence per ordinary share and can be exercised up to 8 November 2010.

On 31 January 2008 the Company issued 1,000,000 unlisted share options to directors of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 January 2008 and 31 December 2010. Further details of these options are set out in the Directors Report.

On 27 May 2008 the Company issued 400,000 unlisted share options to employees of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The share options can be exercised up to 31 December 2010.

At 30 June 2008 the Company had 44,325,001 ordinary shares, 4,969,997 unlisted options and 326,400 unlisted warrants on issue.

At the date of this report, the Company had 55,991,668 ordinary shares, 4,969,997 unlisted options and 326,400 unlisted warrants on issue.

Financial Controls and Risk Management

The Board regularly reviews the risks to which the Group is exposed and ensures through Board Committees and regular reporting that these risks are managed and minimised as far as possible. The Audit Committee is responsible for the implementation and review of the Group's internal financial controls and financial risk management systems.

Nominated Advisors and Brokers

On 8 November 2007 the Company appointed RFC Corporate Finance Limited ("RFC") and Hanson Westhouse Limited to act as Nominated Advisor and Broker to the Company respectively.

DIRECTORS

The Board consists of one Executive Director and three Non-Executive Directors.

Cameron Wenck
(Non-Executive Chairman)

Cameron Wenck (47), 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 (51), appointed 11 May 2005, graduated in 1979 from the University of Queensland with a B.Sc. (Hons, Geology). He has over 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 recapitalisation and re-quotation on the ASX in 2003.

Nicholas Mather is Chief Executive of D'Aguilar Gold Ltd, a non-executive director of ASX-listed companies Bow Energy Limited and Mt Isa Metals Limited and non-executive director of TSX-V listed Waratah Coal Inc.

Brian Moller
(Non-Executive Director)

Brian Moller (50), 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 ASX listed D'Aguilar Gold Ltd and Platina Resources Ltd and TSX-V listed WCB Capital Ltd.

Dr Robert Weinberg
(Non-Executive Director)

Rob Weinberg (61), 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. He is a Fellow of the Geological Society of London.

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 Société Générale 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 a non-executive Director of AIM listed Falkland Gold and Minerals Ltd, ASX listed Kasbah Resources Ltd and Medusa Mining Ltd, a company listed on the ASX, AIM and the Frankfurt Stock Exchange

SECRETARY

Mr Kevin Nagle commenced as the Secretary of the Company on 3 November 2008.

Kevin Nagle
(Company Secretary and Chief Financial Officer)

Kevin Nagle (47) has over ten years experience in the accounting profession. He has been employed in accounting roles with resource companies Mount Isa Mines and Southern Pacific Petroleum. He has also held the position of Chief Financial Officer / Company Secretary with ASX listed The Rock Building Society.

Mr Nagle is a Certified Practising Accountant and holds a Bachelor of Business (Accounting).

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activities of Solomon Gold plc (the "Company") and its subsidiaries (together "Solomon Gold" or the "Group") are 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.

BUSINESS REVIEW

A review of the Group's business and future developments is set out in the Operations review and Financial review.

LAND AND BUILDINGS

The directors are of the view that the book value and market value of land and buildings are not materially different. The land and buildings were acquired during 2007 and no independent valuation has been obtained since its acquisition.

GOING CONCERN

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. The Company has arranged two tranches of loan financing which will be sufficient to meet its needs through to March 2009. The directors are in the process of securing further additional funds to enable it to proceed with its approved plan of expenditure and to provide adequate working capital for a reasonable period thereafter. They are also in the process of finalising joint venture arrangements in connection with the Group's major copper/gold exploration project on Guadalcanal, which will provide for the funding required to advance those projects. The directors are confident that these various financial arrangements can be successfully concluded and that the Group is a going concern. In the event that the Company is unable to secure further finance it may not be able to continue as a going concern.

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

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$1,603,627 (2007: A$1,201,646).

CHANGES IN SHARE CAPITAL DURING 2008

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

KEY PERFORMANCE INDICATORS

Given the stage of the Group's operations, the Board regards the maintenance of tenure and land access arrangements, maintenance of operation capabilities and the continued collection of exploration data in order to advance the prospectivity of the project areas to be the key performance indicators in measuring the Group's success and future success. The review of the business with reference to key performance indicators is set out in the Operations and Financial Review.

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 11 days (2007: 7 days) worth of purchases in Group trade creditors and 10 days (2007: 14 days) worth of purchases in Company trade creditors.

SUBSEQUENT EVENTS

On 3 November 2008, Kevin Nagle was appointed Company Secretary and CFO.
On 19 November 2008, 11.7 million shares were placed to raise £350,000.
On 28 November 2008, Duncan Cornish resigned as Company Secretary and CFO.
On 26 November 2008, Solomon Gold finalised proposed Terms of Agreement with Newmont Ventures Limited on Guadalcanal projects.
On 8 December 2008, tenement renewals confirmed for PL02/05; PL03/05 and PL04/05 all for two years from 8 December 2008 to 7 December 2010.
On 9 December, the helicopter services agreement with the contractor was terminated without penalty.
On 17 December 2008, Samuel Holdings Pty Ltd (a related party of a Director; Nicholas Mather) entered into a loan with Solomon Gold plc for AUD$200,000.
On 17 December 2008, Samuel Holdings Pty Ltd (a related party of a Director; Nicholas Mather) entered into a commitment to cause and procure a Convertible Note by 30 January 2009 with Solomon Gold plc for GBP£221,915.

DIRECTORS AND DIRECTORS' INTERESTS

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

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

The Company has a Directors' and Officers Liability insurance policy with AFM Insurance Brokers Pty Ltd for all its directors.

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.

Shares held	At 30 June 2008	At 30 June 2007
Nicholas Mather	2,905,680	565,159
Brian Moller	210,518	92,535
Cameron Wenck	332,045	212,045
Robert Weinberg	82,556	27,000

On 31 January 2008, the Company issued share options exercisable at prices between 25 pence and 75 pence per ordinary share to the following directors: Nicholas Mather 500,000, Cameron Wenck 200,000, Brian Moller 150,000 and Robert Weinberg 150,000. The period during which these share options can be exercised is between 31 January 2008 and 31 December 2010.

Share options held	At 30 June 2008	At 30 June 2007	Option Price	Exercise Period
Nicholas Mather	233,333	233,333	50p	01/01/07 – 01/01/10
	233,333	233,333	75p	01/01/08 – 01/01/11
	233,334	233,334	100p	01/01/08 – 01/01/11
	250,000	-	25p	31/01/08 – 31/12/10
	125,000	-	50p	31/01/08 – 31/12/10
	125,000	-	75p	31/01/08 – 31/12/10
Cameron Wenck	25,000	25,000	50p	01/01/07 – 01/01/10
	25,000	25,000	75p	01/01/08 – 01/01/11
	25,000	25,000	100p	01/01/08 – 01/01/11
	100,000	-	25p	31/01/08 – 31/12/10
	50,000	-	50p	31/01/08 – 31/12/10
	50,000	-	75p	31/01/08 – 31/12/10
Brian Moller	25,000	25,000	50p	01/01/07 – 01/01/10
	25,000	25,000	75p	01/01/08 – 01/01/11
	25,000	25,000	100p	01/01/08 – 01/01/11

Share options held	At 30 June 2008	At 30 June 2007	Option Price	Exercise Period
	75,000	-	25p	31/01/08 – 31/12/10
	37,500	-	50p	31/01/08 – 31/12/10
	37,500	-	75p	31/01/08 – 31/12/10
Robert Weinberg	25,000	25,000	50p	01/01/07 – 01/01/10
	25,000	25,000	75p	01/01/08 – 01/01/11
	25,000	25,000	100p	01/01/08 – 01/01/11
	75,000	-	25p	31/01/08 – 31/12/10
	37,500	-	50p	31/01/08 – 31/12/10
	37,500	-	75p	31/01/08 – 31/12/10

MAJOR SHAREHOLDERS

The Company had been notified of the following interests in shares held as at 12 December 2008:

Major Shareholders	Number of Shares	% of Issued Capital
Samuel Holdings Pty Ltd	5,256,140	9.43
Tenstar Trading Limited	4,892,433	8.78
Barclayshare Nominees Limited	3,706,151	6.65
HSBC Global Custody Nominee (UK) Ltd	2,750,000	4.93
EVO Nominees Limited	2,528,259	4.54
James Capel (Nominees) Limited	2,300,434	4.13
L R Nominees Limited	2,037,746	3.66
HSDL Nominees Limited	1,839,011	3.30

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 Combined Code issued by the Financial Reporting Council in June 2006 (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 one executive director 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 is able to dominate 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 summary financial and operational reports 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.

The remuneration of the non-executive directors is determined by the executive directors who consider it essential, not withstanding the small size of the Company and the fact that it is not yet revenue earning, to recruit and retain individuals of the highest calibre for that role. Consequently they believe that it is in the interests of shareholders that non-executive directors should be provided with share options in addition to the level of fees considered affordable. The number of such options currently amounts to 725,000 in total, or less than 2% of the current issued share capital, and in the opinion of the executive directors is not of sufficient magnitude as to affect their independence.

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 2008 Annual General Meeting will provide an opportunity for the Chairman and/or Chief Executive Officer 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 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 Brian Moller, the other members being Nicholas Mather and Robert Weinberg.

EXECUTIVE REMUNERATION STRATEGY

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.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Group made no political or charitable donations in the year (2007: A$ nil).

AUDITORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, prepared the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the company financial statements in accordance with those standards. The financial statements are required to give a true and fair view of the state of affairs of the company and 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 then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

DISCLOSURE OF AUDIT INFORMATION

In the case of each person 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.

This report was approved by the board on 17 December 2008 and signed on its behalf.

Kevin Nagle
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 year ended 30 June 2008 which comprise the consolidated income statement and the consolidated and company balance sheets, cash flow statements and statements of changes 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 information given in the directors' report is consistent with the financial statements. The information in the directors' report includes that specific information presented in the chairman's statement, operations review and financial review that is cross referenced from the principal activities and business review section of the directors' report.

In addition we report to 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.

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 2008 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 2008;

- 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.

Emphasis of matter – going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the group's and the company's ability to continue as a going concern. As explained in note 1 to the financial statements, the company raises finance for the group's exploration and appraisal activities in discrete tranches, and will need to raise further funds in the near future to continue with its planned exploration programme and to provide working capital. The future of the group depends on the ability of the company to raise such finance. This indicates the existence of a material uncertainty which may cast significant doubt about the company and the group's ability to continue as a going concern. If the company is unable to secure such additional funding, this may have a consequential impact on the carrying value of the related exploration assets and the investment of the parent company. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors
London, UK

17 December 2008

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2008

	Notes	Group 2008 A$	Group 2007 A$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		-	3,302
Administrative expenses		(1,810,604)	(1,552,102)
Operating loss		(1,810,604)	(1,548,800)
Finance income	6	206,977	347,154
Loss before and after tax	3	(1,603,627)	(1,201,646)
Loss for the period		(1,603,627)	(1,201,646)

Basic and diluted loss per ordinary share			
Basic and diluted	8	(0.0443)	(0.0448)

CONSOLIDATED AND COMPANY BALANCE SHEETS AS AT 30 JUNE 2008

	Notes	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Assets					
Property, plant and equipment	10	246,617	273,969	652	1,414
Intangible assets	11	14,976,454	6,799,726	-	-
Investment in subsidiary	9	-	-	16,613,720	10,516,194
Total non-current assets		15,223,071	7,073,695	16,614,372	10,517,608
Other receivables and prepayments	13	326,105	381,724	157,766	243,997
Cash and cash equivalents	14	1,874,805	3,450,530	202,196	937
Total current assets		2,200,910	3,832,254	359,962	244,934
Total assets		**17,423,981**	**10,905,949**	**16,974,334**	**10,762,542**
Equity					
Share capital	15	1,033,527	631,679	1,033,527	631,679
Share premium	15	17,613,615	10,752,408	17,613,615	10,752,408
Other reserves		1,683,142	849,251	1,683,142	849,251
Retained loss		(3,457,595)	(1,853,968)	(3,460,706)	(1,857,699)
Total equity		**16,872,689**	**10,379,370**	**16,869,578**	**10,375,639**
Liabilities					
Trade and other payables	16	551,292	526,579	104,756	386,903
Total current liabilities		551,292	526,579	104,756	386,903
Total liabilities		551,292	526,579	104,756	386,903
Total equity and liabilities		**17,423,981**	**10,905,949**	**16,974,334**	**10,762,542**

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 17 December 2008.

Nicholas Mather
Director

STATEMENTS OF CHANGES IN EQUITY

Group Statement of changes in shareholders' equity

	Note	Share capital A$	Share premium A$	Share option reserve A$	Warrants reserve A$	Retained loss A$	Total A$
Balance at 30 June 2006		**631,679**	**10,752,408**	**217,071**	**172,803**	**(652,322)**	**11,121,639**
Loss for the period		-	-	-	-	(1,201,646)	(1,201,646)
Value of options issued to directors, employees and consultants		-	-	459,377	-	-	459,377
Balance 30 June 2007	**15**	**631,679**	**10,752,408**	**676,448**	**172,803**	**(1,853,968)**	**10,379,370**
Loss for the period		-	-	-	-	(1,603,627)	(1,603,627)
New share capital subscribed		401,848	6,831,422	-	-	-	7,233,270
Share issue costs		-	(130,819)	-	-	-	(130,819)
Adjustment to previous share issue costs		-	160,604	-	-	-	160,604
Value of options issued to directors, employees and consultants		-	-	833,891	-	-	833,891
Balance 30 June 2008	**15**	**1,033,527**	**17,613,615**	**1,510,339**	**172,803**	**(3,457,595)**	**16,872,689**

Company Statement of changes in shareholders' equity

	Note	Share capital A$	Share premium A$	Share option reserve A$	Warrants reserve A$	Retained loss A$	Total A$
Balance at 30 June 2006		**631,679**	**10,752,408**	**217,071**	**172,803**	**(553,631)**	**11,220,330**
Loss for the period		-	-	-	-	(1,304,068)	(1,304,068)
Value of options issued to directors, employees and consultants		-	-	459,377	-	-	459,377
Balance 30 June 2007	**15**	**631,679**	**10,752,408**	**676,448**	**172,803**	**(1,857,699)**	**10,375,639**
Loss for the period		-	-	-	-	(1,603,007)	(1,603,007)
New share capital subscribed		401,848	6,831,422	-	-	-	7,233,270
Share issue costs		-	(130,819)	-	-	-	(130,819)
Adjustment to previous share issue costs			160,604				160,604
Value of options issued to directors, employees and consultants		-	-	833,891	-	-	833,891
Balance 30 June 2008	**15**	**1,033,527**	**17,613,615**	**1,510,339**	**172,803**	**(3,460,706)**	**16,869,578**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2008

	Note	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Cash flows from operating activities					
Operating loss		(1,810,604)	(1,548,800)	(1,609,406)	(1,357,860)
Depreciation		50,981	28,955	762	759
Share based payment expense		833,891	459,377	833,891	459,377
(Increase)/decrease in other receivables and prepayments		55,619	(124,046)	86,229	(23,793)
Increase/(decrease) in trade and other payables		185,317	39,947	(121,541)	80,483
Cash used in operations		**(684,797)**	**(1,144,567)**	**(810,065)**	**(841,034)**
Net cash outflow from operating activities		**(684,797)**	**(1,144,567)**	**(810,065)**	**(841,034)**
Cash flows from investing activities					
Interest received		206,977	347,154	6,399	53,792
Acquisition of property, plant and equipment		(23,629)	(231,735)	-	-
Acquisition of intangible assets (exploration expenditure)		(8,176,728)	(4,597,778)	-	-
Loans advanced to subsidiary		-	-	(6,097,526)	(8,267,309)
Net cash outflow from investing activities		**(7,993,380)**	**(4,482,359)**	**(6,091,127)**	**(8,213,517)**
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		7,233,270	-	7,233,270	-
Payment of issue costs		(130,819)	-	(130,819)	-
Net cash inflow from financing activities		**7,102,451**	**-**	**7,102,451**	**-**
Net increase in cash and cash equivalents		**(1,575,725)**	**(5,626,926)**	**201,259**	**(9,054,551)**
Cash and cash equivalents at beginning of period		3,450,530	9,077,456	937	9,055,488
Cash and cash equivalents at end of period		**1,874,805**	**3,450,530**	**202,196**	**937**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2008

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 their interpretations adopted by the International Accounting Standards Board (IASB), as adopted by the European Union. They have also been prepared in accordance with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

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

(b) Basis of preparation of financial statements and going concern

The consolidated financial statements are presented in Australian dollars ("A$").

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

A separate income statement for the parent company has not been presented as permitted by section 230(4) of the Companies Act 1985.

In common with many exploration companies, the Company raises finance for the Group's exploration and appraisal activities in discrete tranches. The Company has arranged two tranches of loan financing which will be sufficient to meet its needs through to March 2009. The directors are in the process of securing further additional funds to enable it to proceed with its approved plan of expenditure and to provide adequate working capital thereafter. They are also in the process of finalising joint venture arrangements in connection with the Group's major copper/gold exploration project on Guadalcanal. The directors are confident that these various financial arrangements can be successfully concluded and that the Group is a going concern. In the event that the Company is unable to secure further finance it may not be able to continue as a going concern.

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

(d) Foreign currency

The Company's functional and presentational currency is Australian dollars (A$). The exchange rate at 30 June 2008 was £0.48210/A$1.0, SBD$7.33969/A$1.0 (30 June 2007: £0.42347/A$1.0, SBD$6.47947/A$1.0).

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Australian dollars at the foreign exchange rate ruling at that date.

(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:.

Office Equipment	3 years
Furniture and Fittings	5 years
Motor Vehicles	5 years
Plant and Equipment	5 years
Land and Buildings	12 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) Other receivables and prepayments

Other receivables and prepayments 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.

(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) Financing costs

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

(ii) Finance income

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

(p) Taxation

The charge for taxation is based on the profit or loss for the year and takes into account 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 segment, being mineral exploration and two geographical segments, being Australia and 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. The Company's loss for the year was A$1,603,007.

(ii) Subsidiary investments

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

(t) Changes in accounting policies

The group adopted the following standards for the first time:
IAS 1 (amendment) Presentation of Financial Statements – Capital Disclosures
IFRS 7 Financial Instruments – Disclosures
The resulting changes in disclosure are included in notes 15 and 18 respectively. There were no other impacts from the adoption of these standards.

The group has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that adoption of standards or interpretations which have been issued by the International Accounting Standards Board but have not been adopted will have a material impact on the financial statements.

NOTE 2 SEGMENT REPORTING

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

NOTE 3 LOSS BEFORE TAX

	Group 2008 A$	Group 2007 A$
Loss is stated after charging:		
Auditors' remuneration:		
Fees payable to the company's auditor for the audit of the company's annual accounts	31,698	59,490
Fees payable to the company's auditor and its associates for other services:		
The audit of the company's subsidiaries, pursuant to legislation	-	-
Other services pursuant to legislation [1]	-	28,037
Tax services	29,805	28,668
Depreciation	50,981	28,955
Foreign exchange gains	33,414	6,547
Share based payments	833,891	459,377

[1] Other services provided by the auditors and their associates in 2007 primarily relate to the review of Interim accounts.

NOTE 4 STAFF NUMBERS AND COSTS

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

	Group 2008	Group 2007	Company 2008	Company 2007
Corporate finance and administration	13	11	5	5
Technical	37	21	-	1
	50	**32**	**5**	**6**

The aggregate payroll costs of these persons were as follows:

	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Wages and salaries	1,661,085	1,415,892	429,195	489,163
Contributions to defined contribution plans	20,928	34,239	1,407	-
Share based payments	671,993	459,377	671,993	459,377
	2,354,006	**1,909,508**	**1,102,595**	**948,540**

Included within staff costs is A$1,173,315 (2007: A$876,270) which has been capitalised as part of deferred exploration costs.

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary A$	Other Benefits[1] A$	Pensions A$	Total Remuneration A$
2008				
Directors				
Nicholas Mather	155,425	132,303	-	**287,728**
Brian Moller	64,228	26,580	-	**90,808**
Cameron Wenck	66,726	34,895	-	**101,621**
Robert Weinberg	55,716	26,580	-	**82,296**
	342,095	220,358	-	**562,453**
Non-Directors	406,412	237,928	-	**644,340**
TOTAL	748,507	458,286	-	**1,206,793**

	Basic Annual Salary A$	Other Benefits[1] A$	Pensions A$	Total Remuneration A$
2007				
Directors				
Nicholas Mather	186,146	165,730	-	**351,876**
Brian Moller	75,637	5,471	-	**81,108**
Cameron Wenck	87,953	5,471	-	**93,424**
David Jelley	184,615	165,730	-	**350,345**
Robert Weinberg	61,727	5,471	-	**67,198**
	596,078	347,873	-	**943,951**
Non-Directors	276,456	31,008	-	**307,464**
TOTAL	872,534	378,881	-	**1,251,415**

[1] Share based payments issued.

NOTE 6 FINANCE INCOME

	Group 2008 A$	Group 2007 A$
Interest income	206,977	347,154
Finance income	**206,977**	**347,154**

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 application of the standard rate of corporation tax in the UK of 28% (2007: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

	Group 2008 A$	Group 2007 A$
Tax reconciliation		
Loss before tax	(1,603,627)	(1,201,646)
Tax at 28% (2007: 30%)	(449,016)	(360,494)
Effects (at 30%) of:		
Capitalisation of exploration costs	(2,571,865)	(2,301,695)
Non-deductible expenses	98,620	137,813
Tax losses carried forward	2,922,261	2,524,376
Tax on loss	-	-

Factors that may affect future tax charges

The Group has tax losses of A$2,922,261 (2007: A$3,027,006) carried forward which may be deductible from future taxable profits.

NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses of A$1,603,627 (2007: A$1,201,646) and the weighted average number of ordinary shares outstanding of 36,222,261 (2007: 26,825,001).

There is no difference between the diluted loss per share and the basic loss per share presented as the share options in issue during the period were not considered dilutive. At 30 June 2008 there were 4,969,997 (2007: 2,389,997) share options in issue.

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	Solomon Gold plc's effective interest 2008	2007
Australian Resource Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS continued

	Shares A$	Loans A$	Investment in subsidiary undertakings Total A$
Cost			
Balance at 30 June 2006	270,571	1,978,314	2,248,885
Advances in the period	-	8,267,309	8,267,309
Balance at 30 June 2007	270,571	10,245,623	10,516,194
Advances in the period	-	6,097,526	6,097,526
Balance 30 June 2008	**270,571**	**16,343,149**	**16,613,720**
Amortisation and impairment losses			
Balance at 30 June 2006	-		-
Balance at 30 June 2007	-	-	-
Balance 30 June 2008	**-**	**-**	**-**
Carrying amounts			
At 30 June 2006	270,571	1,978,314	2,248,885
At 30 June 2007	270,571	10,245,623	10,516,194
At 30 June 2008	**270,571**	**16,343,149**	**16,613,720**

Details of all loans within the group made during the year are set out below:

	Shares A$	Loans A$	Total A$
Cost			
Balance at 30 June 2006	270,571	1,978,314	2,248,885
Advances in the period from Solomon Gold plc to ARM Pty Ltd	-	8,267,309	8,267,309
Balance at 30 June 2007	270,571	10,245,623	10,516,194
Advances in the period from Solomon Gold plc to ARM Pty Ltd	-	6,097,526	6,097,526
Total Investment in subsidiary by the Company at 30 June 2008	**270,571**	**16,343,149**	**16,613,720**

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	Group						
	Land and Buildings A$	Plant and Equipment A$	Motor vehicles A$	Office equipment A$	Furniture & Fittings A$	Total A$	Company A$
Cost							
Balance 30 June 2006	-	32,318	30,092	21,069	-	83,479	2,290
Additions	194,000	15,675	-	7,350	14,710	231,735	-
Balance 30 June 2007	194,000	47,993	30,092	28,419	14,710	315,214	2,290
Additions	-	8,161	-	15,468	-	23,629	-
Balance 30 June 2008	**194,000**	**56,154**	**30,092**	**43,887**	**14,710**	**338,843**	**2,290**
Depreciation & impairment losses							
Balance 30 June 2006	-	(3,439)	(3,256)	(5,595)	-	(12,290)	(117)
Depreciation charge for the year	(5,768)	(7,912)	(6,002)	(8,246)	(1,027)	(28,955)	(759)
Balance 30 June 2007	(5,768)	(11,351)	(9,258)	(13,841)	(1,027)	(41,245)	(876)
Depreciation charge for the year	(19,966)	(10,214)	(6,001)	(11,866)	(2,934)	(50,981)	(762)
Balance 30 June 2008	**(25,734)**	**(21,565)**	**(15,259)**	**(25,707)**	**(3,961)**	**(92,226)**	**(1,638)**
Carrying amounts							
At 1 July 2006	-	28,879	26,836	15,474	-	71,189	2,173
At 30 June 2007	188,232	36,642	20,834	14,578	13,683	273,969	1,414
At 1 July 2007	188,232	36,642	20,834	14,578	13,683	273,969	1,414
At 30 June 2008	**168,266**	**34,589**	**14,833**	**18,180**	**10,749**	**246,617**	**652**

NOTE 11 INTANGIBLE ASSETS

	Deferred exploration costs A$
Cost	
Balance 30 June 2006	2,201,948
Additions	4,597,778
Disposals	-
Balance 30 June 2007	6,799,726
Additions	8,176,728
Disposals	-
Balance 30 June 2008	**14,976,454**
Impairment losses	
Balance 30 June 2007	-
Provision for impairment	-
Balance 30 June 2008	-
Carrying amounts	
At 1 July 2006	2,201,948
At 30 June 2007	6,799,726
At 1 July 2007	6,799,726
At 30 June 2008	**14,976,454**

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 (2006: A$Nil). A detailed assessment of the carrying values of deferred exploration costs is provided in note 21.

NOTE 12 DEFERRED TAXATION

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following amounts. In accordance with IFRS deferred tax has been calculated at the future rate of corporation tax of 28% as Finance Act 2007 had been substantially enacted by the balance sheet date.

	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Deductible temporary differences	9,934	23,918	-	-
Tax losses	2,922,261	3,027,006	2,902,209	2,522,369
	2,932,195	3,050,924	2,902,209	2,522,369

The deferred tax asset in respect of these items has not been recognised as future taxable profit is not anticipated within the foreseeable future.

NOTE 13 OTHER RECEIVABLES AND PREPAYMENTS

	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Other receivables	270,932	345,285	126,206	213,065
Prepayments	55,173	36,439	31,560	30,932
	326,105	381,724	157,766	243,997

NOTE 14 CASH AND CASH EQUIVALENTS

	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Bank balances	1,869,290	492,272	202,179	921
Call deposits	5,515	2,958,258	17	16
Cash and cash equivalents in the statement of cash flows	1,874,805	3,450,530	202,196	937

NOTE 15 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2007 No. of shares	2007 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 2007 – Ordinary Shares	**50,000,000**	**500,000**

	2008 No. of shares	2008 Nominal value £
At 30 June 2007 – Ordinary Shares	50,000,000	500,000
Creation of additional shares of £0.01 each on 11 December 2007	50,000,000	500,000
At 30 June 2008 – Ordinary Shares	**100,000,000**	**1,000,000**

(b) Changes in Issued Share Capital and Share Premium

Shares issued

On 18 December 2007 the Company completed a placing of 17,500,000 ordinary shares at 18 pence per share for a cash consideration of £3,150,000 (A$7,233,270 less share issue costs of A$130,819).

For the year ended 30 June 2008:

	No. of shares	Nominal value A$	Share premium A$	Total A$
Ordinary shares of 1p each at 30 June 2007	26,825,000	631,679	10,752,408	11,384,087
Adjustment to share issue costs	-	-	160,604	160,604
Shares issued at £0.18 – placing 18 December 2007	17,500,000	401,848	6,831,422	7,233,270
Share issue costs charged to share premium	-	-	(130,819)	(130,819)
Ordinary shares of 1p each at 30 June 2008	**44,325,001**	**1,033,527**	**17,613,615**	**18,647,142**

Adjustment to share issue costs represents amounts previously accrued for but subsequently reversed as the amount is deemed not payable.

NOTE 15 CAPITAL AND RESERVES continued

Potential issues of ordinary shares

At 30 June 2008 the Company had 4,969,997 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 2008
10 February 2006	1 January 2007	1 January 2011	£0.50 to £1.00	1,739,997	1,039,997
12 September 2006	1 January 2007	1 January 2011	£0.50 to £1.00	650,000	650,000
31 December 2007	31 December 2007	31 December 2010	£0.25 to £0.75	1,380,000	1,380,000
31 December 2007	31 December 2007	8 November 2010	£0.20	500,000	500,000
31 January 2008	31 January 2008	31 December 2010	£0.25 to £0.75	1,000,000	1,000,000
27 May 2008	27 May 2008	31 December 2010	£0.25 to £0.75	400,000	400,000
				5,669,997	**4,969,997**

Warrants

Date of grant	Exercisable from	Exercisable to	Exercise prices	Number granted	Number at 30 June 2008
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 2008					5,296,397

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.

Share options issued

On 23 August 2007, 700,000 unlisted share options in Solomon Gold plc were cancelled as a result of employee resignations.

On 31 December 2007 the Company issued 1,380,000 unlisted share options to management and staff of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 December 2007 and 31 December 2010.

On 31 December 2007 the Company also granted 500,000 unlisted share options for nil consideration to RFC Corporate Finance Limited ("RFC"), the Company's nominated advisor ("NOMAD"). RFC were appointed as NOMAD on 8 November 2007. These share options were granted at an exercise price of 20 pence per ordinary share and can be exercised up to 8 November 2010.

On 31 January 2008 the Company issued 1,000,000 unlisted share options to directors of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 January 2008 and 31 December 2010.

On 27 May 2008 the Company issued 400,000 unlisted share options to employees of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The share options can be exercised up to 31 December 2010.

Dividends

The directors do not recommend the payment of a dividend.

Capital Management

Given the nature of the group's current activities the entity will remain dependant on equity funding in the short to medium term until such time as the group becomes self-financing from the commercial production of mineral resources.

NOTE 16 TRADE AND OTHER PAYABLES

	Group 2008 A$	Group 2007 A$	Company 2008 A$	Company 2007 A$
Current				
Trade payables	423,088	131,744	43,253	52,344
Other payables	60,897	213,185	4,520	160,604
Accrued expenses	67,307	181,650	56,983	173,955
	551,292	526,579	104,756	386,903

NOTE 17 EMPLOYEE BENEFITS

Share-based payments

On 31 December 2007 the Company issued 1,380,000 unlisted share options to management and staff of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 December 2007 and 31 December 2010.

On 31 December 2007 the Company also granted 500,000 unlisted share options for nil consideration to RFC Corporate Finance Limited ("RFC"), the Company's nominated advisor ("NOMAD"). These share options were granted at an exercise price of 20 pence per ordinary share and can be exercised up to 8 November 2010.

On 31 January 2008 the Company issued 1,000,000 unlisted share options to directors of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The period during which these share options can be exercised is between 31 January 2008 and 31 December 2010.

On 27 May 2008 the Company issued 400,000 unlisted share options to employees of the Company. The options were issued free of charge and are exercisable at prices between 25 pence and 75 pence per ordinary share. The share options can be exercised up to 31 December 2010.

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

	Weighted average exercise price 2008	Number of options 2008	Weighted average exercise price 2007	Number of options 2007
Outstanding at the beginning of the period	**£0.75**	**2,389,997**	£0.75	1,739,997
Lapsed during the period	**£0.75**	**(700,000)**	-	-
Granted during the period	**£0.40**	**3,280,000**	£0.75	650,000
Outstanding at the end of the period	**£0.52**	**4,969,997**	£0.75	2,389,997
Exercisable at the end of the period	**£0.52**	**4,969,997**	£0.50	796,664

The options outstanding at 30 June 2008 have an exercise price in the range of £0.25 pence and £1.00 pence (2007: £0.50-1.00) and a weighted average contractual life of 2.38 years (2007: 3.18 years).

Share options held by directors are disclosed in the directors' report. The total number of options held at the year end are as follows:

Share options held at 30 June 2008	Share options held at 30 June 2007	Option price	Exercise periods
500,000	-	£0.20	31/12/07 – 08/11/10
1,390,000	-	£0.25	31/12/07 – 31/12/10
1,258,331	796,664	£0.50	01/01/07 – 31/12/10
1,258,332	796,665	£0.75	31/12/07 – 01/01/11
563,334	796,668	£1.00	01/01/08 – 01/01/11
4,969,997	2,389,997		

NOTE 17 EMPLOYEE BENEFITS continued

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 granted 31 December 2007	£0.25 options	£0.50 options	£0.75 options
Fair value at issue date	£0.215	£0.215	£0.215
Exercise price	£0.25	£0.50	£0.75
Expected volatility	106.313%	106.313%	106.313%
Option life	3 years	3 years	3 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	4.262%	4.262%	4.262%

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 (18 January 2008).

Fair value of share options and assumptions granted 31 December 2007 to RFC Corporate Finance Ltd	£0.20 options
Fair value at issue date	£0.215
Exercise price	£0.20
Expected volatility	106.313%
Option life	2.86 years
Expected dividends	0.00%
Risk-free interest rate (short-term)	4.262%

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 (18 January 2008).

Fair value of share options and assumptions granted 31 January 2008	£0.25 options	£0.50 options	£0.75 options
Fair value at issue date	£0.200	£0.200	£0.200
Exercise price	£0.25	£0.50	£0.75
Expected volatility	79.928%	79.928%	79.928%
Option life	2.92 years	2.92 years	2.92 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	4.28%	4.28%	4.28%

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 (13 June 2008).

Fair value of share options and assumptions granted 27 May 2008	£0.25 options	£0.50 options	£0.75 options
Fair value at issue date	£0.178	£0.178	£0.178
Exercise price	£0.25	£0.50	£0.75
Expected volatility	79.928%	79.928%	79.928%
Option life	2.60 years	2.60 years	2.60 years
Expected dividends	0.00%	0.00%	0.00%
Risk-free interest rate (short-term)	4.93%	4.93%	4. 93%

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 (13 June 2008).

NOTE 18 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

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. The main credit risk is the non-collection of other receivables which include tax (VAT, withholding tax), refunds and tenement security deposits. There were no overdue receivables at year end.
There have been no changes in financial risks from previous year.

During the period ending 30 June 2008 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.

A$	Group 2008 A$	Group 2007 A$
Solomon Island dollar (SBD)	221,054	146,027

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD). A 1% change in the SBD/A$ exchange rate would give rise to a change of approximately A$2,000 in the Group net assets and reported earnings.

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 company did not have any monetary assets and liabilities in currencies other than the company functional currency.

The Group and Company raises funds as required on the basis of budgeted expenditure for the next twelve months. Funds are generally raised in Capital Markets from a variety of eligible private, corporate and fund investors, or from interested third parties (including other exploration and mining companies) which may be interested in earning an interest in the project. The success of otherwise of such capital raisings is dependent upon a variety of factors including general equities and metals market sentiment, macro economic outlook, project prospectivity, operational risks and other factors from time to time. When funds are sought, the Group balances the costs and benefits of equity financing. When funds are received they are deposited with banks of high standing in order to obtain market interest rates. The Group deals with banks with high credit ratings assigned by international credit rating agencies. Funds are provided to local sites monthly, based on the sites' forecast expenditure.

Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's and Company's financial instruments.

The classes of financial instruments are the same as the line items included on the face of the balance sheet and have been analysed in more details in notes to the accounts. All the group and company's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost.

NOTE 19 COMMITMENTS

Pursuant to a contract for the provision of a helicopter to assist in exploration and drilling, as at 30 June 2008 the Group has a commitment to pay A$743,600 (in equal monthly payments) between 12 May 2008 and 12 May 2009. 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.

The Company has certain obligations to expend minimum amounts on exploration in tenement areas. These obligations may be varied from time to time and are expected to be fulfilled in the normal course of operations of the Company.

The commitments to be undertaken are as follows:

Tenement Number	Commitment (A$)	Period to meet commitment
PL 02/05	1,106,773	10/11/05 – 10/11/08
PL 03/05	354,269	10/11/05 – 10/11/08
PL 04/05	1,106,773	10/11/05 – 10/11/08
PL 05/05	485,323	10/11/05 – 10/11/08
PL 08/06	419,000	23/11/06 – 22/11/09

To keep tenements in good standing, work programs should meet certain minimum expenditure requirements. If the minimum expenditure requirements are not met, the Company has the option to negotiate new terms or relinquish the tenements. The Company also has the ability to meet expenditure requirements by joint venture or farm in agreements.

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 was for two years from the date of Admission (10 February 2006) and was recently renewed for a further two year period until 10 February 2010. Samuel provided consultancy services to the Company prior to 6 December 2006 on commercial terms. For the year ended 30 June 2008 A$155,425 was paid to Samuel (2007: A$186,146). These amounts are included in Note 5 (Remuneration of Key Management Personnel). Total amounts outstanding at year end is A$0 (2007: A$13,677)

(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 was required to provide its services for a period ending on 10 February 2008. The agreement was recently renewed for a further 12 months. The Administration 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$24,989 (2007: A$17,233) for the provision of administration, management and office facilities to the Company during the year. Total amounts outstanding at year end is A$4,921 (2007: A$2,866)

(iii) Mr Brian Moller (a director), is a partner in the Australian firm Hopgood Ganim lawyers. Hopgood Ganim were paid A$228,253 (2007: A$114,018) for the provision of legal services to the Company during the year. The services were based on normal commercial terms and conditions. Total amounts outstanding at year end is A$2,234 (2007: A$2,273)

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

(b) Company

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

NOTE 20 RELATED PARTIES continued

Subsidiaries

The Company has an investment in subsidiaries balance of A$16,613,720 which comprises funds advanced during the period of A$6,097,526 (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:

	A$
Balance 30 June 2006	2,248,885
Transactions during period	8,267,309
Balance 30 June 2007	10,516,194
Transactions during period	6,097,526
Balance 30 June 2008	16,613,720

The Company has a professional services agreement with ARM to provide certain management services to ARM. During the period A$26,810 (2007: A$46,888) 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

On 3 November 2008, Kevin Nagle was appointed Company Secretary and CFO.
On 19 November 2008, 11.7 million shares were placed to raise £350,000.
On 28 November 2008, Duncan Cornish resigned as Company Secretary and CFO.
On 26 November 2008, Solomon Gold finalised proposed Terms of Agreement with Newmont Ventures Limited on Guadalcanal projects.
On 8 December 2008, tenement renewals confirmed for PL02/05; PL03/05 and PL04/05 all for two years from 8 December 2008 to 7 December 2010.
On 9 December, the helicopter services agreement with the contractor was terminated without penalty.
On 17 December 2008, Samuel Holdings Pty Ltd (a related party of a Director; Nicholas Mather) entered into a loan with Solomon Gold plc for AUD$200,000.
On 17 December 2008, Samuel Holdings Pty Ltd (a related party of a Director; Nicholas Mather) entered into a commitment to cause and procure a Convertible Note by 30 January 2009 with Solomon Gold plc for GBP£221,915.

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 still at an early stage and the drill testing of the key targets is not yet complete. Further drilling targets are likely to be identified for several localities in the tenement based on data collected by the Company and its subsidiaries in 1996 and 1997 and from 2006 to 2008. Tested drill locations have intersected mineralised zones which provide encouragement in support of the presence of a significant minerals system. 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$2.8 million is considered to be unimpaired.

Central Guadalcanal PL 03/05

Exploration on Central Guadalcanal PL 02/05 is still at an early stage and the drill testing of the key targets is not yet complete. 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. Recent work has highlighted potential for significant copper porphyry systems. 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.

Mbetilonga PL 04/05

Even allowing for the expenditure of in excess of A$0.4 million on Exploration on Mbetilonga PL 02/05, this tenement is still 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, with inconclusive results and several targets are yet to be tested. Assay data from the first five 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 holes are considered to indicate the presence nearby of a significant system. 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$3.4 million is considered to be unimpaired.

Sutakiki PL 05/05

Exploration on Sutakiki PL 02/05 is still at an early stage however the drill testing of the key targets to date has indicated that there are both high tonnage low grade and high grade low tonnage prospects in the tenement. The results of mapping sampling and drilling programs in the tenement to date 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$7.6 million is considered to be unimpaired.

Kuma PL 08/06

Exploration on Kuma is at an early stage and the mapping and sampling phase of the program of testing of the key targets has resulted in the identification of extensive mineralised complexes which show potential to yield resources. The project area and prospects are considered to have been enhanced by the results in the nearby Sutakiki area and by the recognition of cap rocks believed to overlie a major mineral system.. 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.

Florida PL 57/07

Exploration on Florida is at an early stage and work has identified prospective rocks hosting significant nickel anomalies. The carrying value of A$0.2 million is considered to be unimpaired.

East Guadalcanal PL 02/08

Exploration on East Guadalcanal is at an early stage and work has commenced. The carrying value of A$0.03 million is considered to be unimpaired.

Makira Wainoni Application

The tenement application for Makira Wainoni has been abandoned subsequent to this reporting period and the carrying value of A$1.0 thousand will be written off.

Fauro Application

Exploration on Fauro is at an early stage and tenement has not yet been granted. The carrying value of A$0.1 million is considered to be unimpaired.

Critical accounting judgements

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those relating to deferred exploration & evaluation expenditure and share based payments.