Solomon Gold plc

Annual Report

For the year ended 30 June 2010

CORPORATE INFORMATION

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

COMPANY SECRETARY
Karl Schlobohm

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BANKERS
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SOLICITORS
Fox Williams
10 Dominion Street
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AUSTRALIAN SOLICITORS
Hopgood Ganim
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Brisbane QLD 4000, Australia

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

The Directors present their annual report and audited financial statements for the year ended 30 June 2010

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 the Solomon Islands and Queensland, Australia 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 Report

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

BUSINESS REVIEW

During the past year, Solomon Gold successfully acquired two companies holding promising exploration projects in Queensland, Australia The first acquisition, Acapulco Mining Pty Ltd, holds extensive tenements over a project area in and around Mt Perry of 1,344 km^2, located four hours drive northwest of Brisbane and about 15km from Lihir Gold's 1 million oz Mt Rawdon mine Acapulco was acquired by Solomon Gold on a scrip-for-scrip basis, issuing a total of 49 6 million shares to the vendors of Acapulco Further details are contained in the Operations Report, and in Note 23

The second acquisition, Central Minerals Pty Ltd, holds exploration licences covering 3,670 km^2 over a strike length of 200km on the eastern margin of the Bowen Basin in Central Queensland, approximately 150km west of the port of Gladstone Central Minerals was acquired by Solomon Gold on a scrip-for-scrip basis, issuing a total of 37 2 million shares to the vendors of Central Minerals Further details are contained in the Operations Report, and in Note 23

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

The principal risks and uncertainties facing the group at its present stage of development are given under Risks and Uncertainties

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 At the reporting date, the Group had a net current liability position of $1,577,146, inclusive of the Convertible Note held by D'Aguilar Gold and repayable by 19 February 2011 However, on 22 October 2010, the Company announced a substantial capital raising of approximately A$24 million The raising is due to settle following a shareholder's meeting called for 8 November 2010 to approve an increase in the Company's authorised capital from £2,000,000 to £5,000,000 This capital, together with the fact that Newmont has agreed to fund the exploration work being undertaken on the Guadalcanal project under the terms of the Venture Agreement executed between the two parties, means that the Company has sufficient working capital to fund its own operations, including the exploration of those Solomon Island tenement areas held outside of the Newmont Guadalcanal Venture, together with its tenements in Queensland, Australia It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full 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 its projects

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$2,192,989 (2009 A$1,239,497)

CHANGES IN SHARE CAPITAL DURING 2010

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 The review of the business with reference to key performance indicators is set out in the Operations Report 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 of financial risk management objectives and policies, and exposure of the group to financial risks are provided in Note 19 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 71 days (2009 49 days) worth of purchases in Group trade creditors and 24 days (2009 71 days) worth of purchases in Company trade creditors

SUBSEQUENT EVENTS

On 12 July 2010, the Company issued 33,089,099 shares to investors pursuant to a placement at $0 09, raising a total of A$2,839,145 before costs

On 22 October 2010, the Company announced that it had successfully raised approximately $24m through the impending issue of 54,017,153 shares at a price of approximately $0 45 from institutional and private investors The placement is due to settle following a shareholder's meeting called for 8 November 2010 to approve an increase in the Company's authorised capital from £2,000,000 to £5,000,000

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
John Bovard*	Non-Executive Director

*John Bovard was appointed Non-Executive Director 2 November 2009

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 direct and indirect interests in the ordinary shares and unlisted options of the Company as shown in the tables below

Shares held	At 30 June 2010	At 30 June 2009
Nicholas Mather	30,762,862	13,783,433
Brian Moller	924,925	782,068
Cameron Wenck	1,095,477	959,962
Robert Weinberg	383,152	311,723
John Bovard	300,000	Nil

No options were issued to Directors during the year

Share options held	At 30 June 2010	At 30 June 2009	Option Price	Exercise Period
Nicholas Mather	-	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	250,000	25p	31/01/08 – 31/12/10
	125,000	125,000	50p	31/01/08 – 31/12/10
	125,000	125,000	75p	31/01/08 – 31/12/10
Cameron Wenck	-	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	100,000	25p	31/01/08 – 31/12/10
	50,000	50,000	50p	31/01/08 – 31/12/10
	50,000	50,000	75p	31/01/08 – 31/12/10
Brian Moller	-	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	75,000	25p	31/01/08 – 31/12/10
	37,500	37,500	50p	31/01/08 – 31/12/10
	37,500	37,500	75p	31/01/08 – 31/12/10
Robert Weinberg	-	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	75,000	25p	31/01/08 – 31/12/10
	37,500	37,500	50p	31/01/08 – 31/12/10
	37,500	37,500	75p	31/01/08 – 31/12/10

No options were held by John Bovard during the year

MAJOR SHAREHOLDERS

The following parties represented the top 10 shareholders in the Company as at 27 October 2010

Major Shareholders	Number of Shares	% of Issued Capital
Tenstar Trading Limited	54,984,547	24 3
D'Aguilar Gold Limited	35,274,477	15 6
Samuel Holdings Pty Ltd <Samuel DT>	22,200,468	9 8
N&J Mather <Mather Super Fund>	13,843,486	6 1
Barclayshare Nominees Limited	9,673,137	4 3
TD Waterhouse Nominees Europe Limited	8,595,410	3 8
Indium Investments Pty Ltd	5,550,286	2 5
Pershing Nominees Limited	5,121,557	2 3
James Capel Nominees Limited	4,619,728	2 0
HSDL Nominees Limited	4,288,904	1 9

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 June 2008 (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 four 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 material 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, 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' and key management's 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 650,000 in total, or just under 0 3% 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 2010 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 in Solomon Islands and Queensland, and is chaired by John Bovard, 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 (2009 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 Directors' 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, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards

Under company law the Directors must not approve the financial statements unless they are satisfied that they 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,
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006 They are also responsible for safeguarding the assets of the company and 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 3 November 2010 and signed on its behalf

Karl Schlobohm
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 financial statements of Solomon Gold plc for the year ended 30 June 2010 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, consolidated and company statements of changes in equity, consolidated and company statements of cash flows and the related notes The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements

Opinion on financial statements

In our opinion

- the financial statements give a true and fair view of the state of the group's and parent company's affairs as at 30 June 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter – availability of project finance

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosures made in note 1(b) to the financial statements concerning the requirement for the group to raise further funding if it is to bring its exploration projects into the development stage If the group is unable to secure such additional funding to develop its projects further, this may have a consequential impact on the recoverability of the carrying value of the related exploration assets and the investment of the parent company in its subsidiaries No adjustments have been made in the financial statements to reflect changes to asset carrying values that may be necessary should the company be unsuccessful in raising further finance

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

PKF (UK) LLP

David Pomfret (Senior statutory auditor)
For and on behalf of PKF (UK) LLP, Statutory auditors
London, UK

3 November 2010

CONSOLIDATED STATEMENT OF COMPRENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2010

	Notes	Group 2010 A$	Group 2009 A$
Revenue		-	-
Cost of sales		-	-
Gross profit		-	-
Other income		159,364	96,155
Administrative expenses			
Exploration costs written-off		(567,415)	(14,480)
Other		(1,817,187)	(1,376,014)
Operating loss		(2,225,238)	(1,294,339)
Finance income	6	68,662	54,842
Finance costs	6	(36,413)	-
Loss before and after tax	3	(2,192,989)	(1,239,497)
Other comprehensive income		-	-
Total comprehensive income for the year		(2,192,989)	(1,239,497)
Loss for the year attributable to equity holders of the parent		(2,192,989)	(1,239,497)

Basic and diluted loss per ordinary share			
Basic and diluted	8	A$(0 0159)	A$(0 0224)

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

Registered Number 5449516

	Notes	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Assets					
Property, plant and equipment	10	247,648	207,726	6,623	5,742
Intangible assets	11	33,406,506	18,021,422	-	-
Investment in subsidiary	9	-	-	33,976,110	18,374,693
Total non-current assets		**33,654,154**	**18,229,148**	**33,982,733**	**18,380,435**
Other receivables and prepayments	13	386,890	152,338	214,477	69,692
Cash and cash equivalents	14	219,811	1,449,697	111,976	1,393,906
Total current assets		**606,701**	**1,602,035**	**326,453**	**1,463,598**
Total assets		**34,260,855**	**19,831,183**	**34,309,186**	**19,844,033**
Equity					
Share capital	15	3,870,090	1,736,803	3,870,090	1,736,803
Share premium	15	33,263,679	20,215,990	33,263,679	20,215,990
Other reserves		1,070,805	1,411,570	1,070,805	1,411,570
Accumulated loss		(6,161,893)	(4,396,801)	(5,234,969)	(4,129,247)
Total equity		**32,042,681**	**18,967,562**	**32,969,605**	**19,235,116**
Liabilities					
Lease liabilities	16	34,327	-	-	-
Total non-current liabilities		**34,327**	-	-	-
Lease liabilities	16	24,069	-	-	-
Trade and other payables	17	2,159,778	863,621	1,339,581	608,917
Total current liabilities		**2,183,847**	**863,621**	**1,339,581**	**608,917**
Total liabilities		**2,218,174**	**863,621**	**1,339,581**	**608,917**
Total equity and liabilities		**34,260,855**	**19,831,183**	**34,309,186**	**19,844,033**

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 3 November 2010

Brian Moller
Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

Consolidated Statement of changes in equity

	Note	Share capital A$	Share premium A$	Share option reserve A$	Warrants reserve A$	Accumulated loss A$	Total A$
Balance 30 June 2008	**15**	**1,033,527**	**17,613,615**	**1,510,339**	**172,803**	**(3,457,595)**	**16,872,689**
Loss and total comprehensive loss for the period						(1,239,497)	(1,239,497)
New share capital subscribed		667,719	2,558,169				3,225,888
Share issue costs			(115,798)				(115,798)
Value of shares and options issued to Directors, employees and consultants		35,557	160,004	28,719			224,280
Reserve Transfers on Expiration				(127,488)	(172,803)	300,291	
Balance 30 June 2009	**15**	**1,736,803**	**20,215,990**	**1,411,570**	**-**	**(4,396,801)**	**18,967,562**
Loss and total comprehensive loss for the period						(2,192,989)	(2,192,989)
New share capital subscribed		2,123,508	13,054,479				15,177,987
Share issue costs			(80,826)				(80,826)
Value of shares and options issued to Directors, employees and consultants		9,779	74,036	87,132	-		170,947
Reserve Transfers on Expiration				(427,897)		427,897	
Balance 30 June 2010	**15**	**3,870,090**	**33,263,679**	**1,070,805**	**-**	**(6,161,893)**	**32,042,681**

Company Statement of changes in equity

	Note	Share capital A$	Share premium A$	Share option reserve A$	Warrants reserve A$	Accumulated loss A$	Total A$
Balance 30 June 2008	**15**	**1,033,527**	**17,613,615**	**1,510,339**	**172,803**	**(3,460,706)**	**16,869,578**
Loss and total comprehensive loss for the period						(968,832)	(968,832)
New share capital subscribed		667,719	2,558,169				3,225,888
Share issue costs			(115,798)				(115,798)
Value of shares and options issued to Directors, employees and consultants		35,557	160,004	28,719			224,280
Reserve Transfers on Expiration				(127,488)	(172,803)	300,291	
Balance 30 June 2009	**15**	**1,736,803**	**20,215,990**	**1,411,570**	**-**	**(4,129,247)**	**19,235,116**
Loss and total comprehensive loss for the period						(1,533,619)	(1,533,619)
New share capital subscribed		2,123,508	13,054,479				15,177,987
Share issue costs			(80,826)				(80,826)
Value of shares and options issued to Directors, employees and consultants		9,779	74,036	87,132			170,947
Reserve Transfers on Expiration				(427,897)		427,897	
Balance 30 June 2010	**15**	**3,870,090**	**33,263,679**	**1,070,805**	**-**	**(5,234,969)**	**32,969,605**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Cash flows from operating activities					
Operating loss		(2,225,238)	(1,294,339)	(1,544,615)	(1,010,165)
Depreciation		57,661	49,698	2,368	1,177
Share based payment expense		170,947	224,280	170,947	224,280
Impairment of exploration costs		567,415	-	-	-
(Increase)/Decrease in other receivables and prepayments		(139,993)	173,767	(144,785)	72,460
Increase/(decrease) in trade and other payables		(128,567)	112,329	(69,336)	304,161
Cash used in operations		**(1,697,775)**	**(734,265)**	**(1,585,421)**	**(408,087)**
Net cash outflow from operating activities		**(1,697,775)**	**(734,265)**	**(1,585,421)**	**(408,087)**
Cash flows from investing activities					
Interest received		68,662	54,842	47,409	41,333
Interest paid		(36,413)	-	(36,413)	-
Acquisition of property, plant and equipment		(23,330)	(10,807)	(3,249)	(6,267)
Acquisition of intangible assets (exploration)		(2,609,189)	(2,648,788)	-	-
Acquisition of subsidiaries (net of cash)	23	18,631	-	-	-
Loans advanced to subsidiary		-	-	(3,786,332)	(1,349,179)
Net cash outflow from investing activities		**(2,581,639)**	**(2,604,753)**	**(3,778,585)**	**(1,314,113)**
Cash flows from financing activities					
Proceeds from the issue of ordinary share capital		4,362,902	2,829,708	4,362,902	2,829,708
Payment of issue costs		(80,826)	(115,798)	(80,826)	(115,798)
Loan from Director-related entity		(200,000)	200,000	(200,000)	200,000
Repayment of borrowings		(1,032,548)	-	-	-
Net cash inflow from financing activities		**3,049,528**	**2,913,910**	**4,082,076**	**2,913,910**
Net (decrease)/increase in cash and cash equivalents		**(1,229,886)**	**(425,108)**	**(1,281,930)**	**1,191,710**
Cash and cash equivalents at beginning of period		1,449,697	1,874,805	1,393,906	202,196
Cash and cash equivalents at end of period	**14**	**219,811**	**1,449,697**	**111,976**	**1,393,906**

Non cash transactions

During the year, the group acquired Acapulco Mining Pty Limited and Central Minerals Pty Limited The consideration was satisfied by issue of shares Further details have been provided in Note 23

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 and company financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') 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 2006 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, going concern and availability of project finance

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 statement of comprehensive income for the parent company has not been presented as permitted by section 408 of the Companies Act 2006

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches At the reporting date, the Group had a net current liability position of $1,577,146, inclusive of the Convertible Note held by D'Aguilar Gold and repayable by 19 February 2011 However, in October 2010, the Company announced a substantial capital raising of approximately A$24 million The raising is due to settle following a shareholder's meeting called for 8 November 2010 to approve an increase in the Company's authorised capital from £2,000,000 to £5,000,000 This capital, together with the fact that Newmont has agreed to fund the exploration work being undertaken on the Guadalcanal project under the terms of the Venture Agreement executed between the two parties, means that the Company has sufficient working capital to fund its own operations, including the exploration of those Solomon Island tenement areas held outside of the Newmont Guadalcanal Venture, together with its tenements in Queensland, Australia It should be noted that the current working capital levels will not be sufficient to bring the Company's projects into full 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 its projects

(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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income 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 rates at 30 June 2010 were £0 56860/A$1 0 and SBD$7 10920/A$1 0 (30 June 2009 £0 48702/A$1 0, SBD$6 14330/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 year end are translated into Australian dollars at the foreign exchange rate ruling at that date Any resultant foreign exchange currency translation amount is taken to the profit and loss

The functional currency of the subsidiaries in Australia is considered to be Australian Dollars (A$) The functional currency of the subsidiary in Solomon Islands is considered to be Solomon Islands Dollars (SBD$) The assets and liabilities of the entities are translated to the group presentation currency at rates of exchange ruling at the balance sheet date Income and expense items are translated at average rates for the period Any exchange differences are taken directly to reserves On disposal of an entity, cumulative deferred exchange differences are recognised in the income statement as part of the profit or loss on sale

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 ACCOUNTING POLICIES (Continued)

(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 statement of comprehensive income as an expense as incurred

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income 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 statement of comprehensive income

(f) Intangible assets

Deferred exploration and evaluation costs

Costs incurred in relation to the acquisition of, or application for, a tenement area are capitalised where there is a reasonable expectation that the tenement will be acquired or granted Where the Company is unsuccessful in acquiring or being granted a tenement area, any such costs are immediately expensed

All other 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 their nominal amount less provision for impairment

(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 statement of financial position

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 the 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 Shares were also issued to third parties as consideration for goods or services Shares are recorded at their market value at the time of their issue Option instruments 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 The fair value of an option instrument is estimated using the Black-Scholes valuation model The estimated life used in the model represents management's best estimate of the effects of non-transferability, exercise restrictions and behavioural considerations

(ii) Retirement benefits

The Group operates a defined contribution pension scheme Contributions payable for the year are charged to the statement of comprehensive

(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 their nominal value

(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) Other income

Other income is recognised in the statement of comprehensive income as it accrues

(p) Expenses

(i) Financing costs

Financing costs comprise interest payable on borrowings calculated using the effective interest rate method

(ii) Finance income

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 ACCOUNTING POLICIES (Continued)

(q) 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 liability 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

(r) Segment reporting

The Group has applied IFRS 8 Operating Segments from 1 July 2009 Previous reporting of segment information was based on the geographical locations of the Group's operations As of 1 July 2009 the Group determines and presents operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components An operating segment's operating results and asset position are reviewed regularly by the Board to make decisions about resources to be allocated to the segment and assess its performance, for which discrete financial information is available

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis Unallocated items comprise mainly corporate office assets, head office expenses, and income tax assets and liabilities Comparative information has been re-presented so that it also is in conformity with the revised standard Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share

(s) Business Combinations

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities

Business combinations are accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i e parent entity) The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement Rights to refunds of consideration previously paid are recognised as a receivable Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity Contingent consideration classified as an asset or a liability is remeasured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1 ACCOUNTING POLICIES (Continued)

(t) Project Financing / Farm-outs

The Group, from time to time, enters into funding arrangements with third parties in order to progress specific projects The Group accounts for the related exploration costs in line with the terms of the specific agreement

(u) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership are transferred to entities in the Economic Entity, are classified as finance leases

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the period of the lease

(v) 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 statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the statement of comprehensive income of the Company has not been separately presented in these financial statements The Company's loss for the year was A$1,533,619 (2009 A$968,832)

(ii) Subsidiary investments

Investments in subsidiary undertakings are stated at cost less impairment losses

(w) Changes in accounting policies

The Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ('IASB') that are relevant to its operations and effective for accounting periods beginning 1 July 2009

The following standards have been applied by the group from 1 July 2009

- IAS 1 (Revised) Presentation of financial statements
- IFRS 8 Operating segments
- IFRS 3 Business combinations

The adoption of IFRS 3 has resulted in recognition of acquisition costs during the year of $337,570 in the statement of comprehensive income
The adoption of IAS 1 (Revised) and IFRS 8 had no material effect on the profit or loss or the financial position of the Group as these standards deal with disclosures only

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods commencing 1 July 2009 but are not applicable to the group and had no impact on these financial statements

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 2 SEGMENT REPORTING

The Group has applied IFRS 8 Operating Segments and its associated amending standards from 1 July 2009 Previous reporting of segment information was based on the geographical locations of the Group's operations As of 1 July 2009 the group determines and separately reports operating segments based on information that is internally provided to the Board of Directors, who are the Group's chief operating decision makers

The Group has outlined below the separately reportable operating segments, having regard to the quantitative threshold tests provided in IFRS 8, namely that the relative revenue, asset or profit / (loss) position of the operating segment equates to 10% or more of the Group's respective total The Group reports information to the Board of Directors along company lines That is, the financial position of Solomon Gold and each of its subsidiary companies is reported discreetly, together with an aggregated Group total Accordingly, each company within the Group that meets or exceeds the threshold tests outlined above is separately disclosed below The financial information of the subsidiaries that do not exceed the thresholds outlined above, and are therefore not reported separately, are aggregated as Other Subsidiaries

30 June 2010	Finance Income $	Total Income $	Result $	Assets $	Liabilities $	Share Based Payments $	Depreciation $
Solomon Gold	47,409	206,773	(1,533,619)	34,309,186	1,339,581	170,947	2,368
ARM	20,712	20,712	(44,379)	19,699,749	19,712,168	-	45,117
Central Minerals	1	1	(2,130)	2,854,790	3,026,062	-	4,954
Acapulco Mining	540	540	(590,094)	3,412,204	983,195	-	5,222
Solomon Operations	-	-	(22,767)	34,071	85,781	-	-
Consolidation/Elimination	-	-	-	(26,049,145)	(22,928,613)	-	-
Total	**68,662**	**228,026**	**(2,192,989)**	**34,260,855**	**2,218,174**	**170,947**	**57,661**

30 June 2009	Finance Income $	Total Income $	Result $	Assets $	Liabilities $	Share Based Payments $	Depreciation $
Solomon Gold	41,333	277,061	(968,832)	19,844,033	608,917	224,280	1,177
ARM	13,509	30,182	(268,461)	18,327,007	18,295,047	-	48,521
Central Minerals	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Acapulco Mining	M/A	N/A	N/A	N/A	N/A	N/A	N/A
Solomon Operations	-	1,588	(2,204)	67,785	96,728	-	-
Consolidation/Elimination	-	(157,834)	-	(18,407,642)	(18,137,071)	-	-
Total	**54,842**	**150,997**	**(1,239,497)**	**19,831,183**	**863,621**	**224,280**	**49,698**

Acapulco Mining Pty Limited and Central Minerals Pty Limited joined the Group on 21 December 2009 and 19 February 2010 respectively

Geographical information

Non current assets	**2010**	**2009**
	$	**$**
UK	-	-
Australia	14,065,500	5,742
Solomon Islands	19,588,654	18,223,406

The group had no revenue during the year

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 3 LOSS BEFORE TAX

	Group 2010 A$	Group 2009 A$
Loss is stated after charging/(crediting):		
Auditors' remuneration		
Fees payable to the company's auditor for the audit of the company's annual accounts	63,000	40,000
Fees payable to the company's auditor and its associates for other services		
Tax services	30,542	27,509
Depreciation	57,661	49,698
Acquisition related costs	337,570	-
Foreign exchange gains	-	(18,260)
Foreign exchange losses	41,398	-
Share based payments	170,947	224,280

NOTE 4 STAFF NUMBERS AND COSTS

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

	Group 2010	Group 2009	Company 2010	Company 2009
Corporate finance and administration	11	10	7	6
Technical	30	37	-	-
	40	**47**	**7**	**6**

The aggregate payroll costs of these persons were as follows

	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Wages and salaries	1,032,824	1,342,828	133,172	369,382
Contributions to defined contribution plans	3,366	6,866	3,366	6,866
Share based payments	158,446	224,280	158,446	224,280
	1,194,636	**1,573,974**	**294,984**	**600,528**

Included within staff costs is A$576,366 (2009 A$878,328) which has been capitalised as part of deferred exploration costs

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Basic Annual Salary A$	Other Benefits A$	Pensions A$	Total Remuneration A$
2010				
Directors				
Nicholas Mather	161,000	-	-	161,000
Brian Moller	39,533	-	-	39,533
Cameron Wenck	53,679	-	-	53,679
Robert Weinberg	43,516	-	-	43,516
John Bovard	34,558	-	-	34,558
	332,286	-		**332,286**
Non-Directors	304,206	87,132	3,366	**394,704**
TOTAL	**636,492**	**87,132**	**3,366**	**726,990**

	Basic Annual Salary A$	Other Benefits[1] A$	Pensions A$	Total Remuneration A$
2009				
Directors				
Nicholas Mather	161,000	-	-	**161,000**
Brian Moller	50,243	-	-	**50,243**
Cameron Wenck	61,545	-	-	**61,545**
Robert Weinberg	55,144	-	-	**55,144**
	327,932	-	-	**327,932**
Non-Directors	458,654	224,280	-	**682,934**
TOTAL	**786,586**	**224,280**	-	**1,010,866**

[1] Share based payments issued

NOTE 6 FINANCE INCOME AND COSTS

	Group 2010 A$	Group 2009 A$
Interest income	68,662	54,842
Finance income	**68,662**	**54,842**
Interest Cost – Convertible Note	36,413	-
Finance Cost	**36,413**	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 Australia of 30% (2009 28%) being applied to the loss before tax arising during the year The differences are explained below

	Group 2010 A$	Group 2009 A$
Tax reconciliation		
Loss before tax	(2,192,989)	(1,239,497)
Tax at 30% (2009 28%)	(657,897)	(347,059)
Effects at 30% (2009: 28%) of:		
Short term timing differences	1,675	-
Non-deductible expenses	117,044	97,702
Tax losses carried forward	539,178	249,357
Tax on loss	-	-

Factors that may affect future tax charges

The Group has carried forward tax losses of approximately A$5 2m (2009 A$3 1m) These losses may be deductible against future taxable income dependent upon the on-going satisfaction by the relevant Group company of various tax integrity measures applicable in the jurisdiction where tax the loss has been incurred The jurisdictions in which tax losses have been incurred include the United Kingdom, Australia and the Solomon Islands

NOTE 8 LOSS PER SHARE

The calculation of basic loss per ordinary share on total operations is based on losses A$2,192,989 (2009 A$1,239,497) and the weighted average number of ordinary shares outstanding of 137,514,144 (2009 55,218,452)

There is no difference between the diluted loss per share and the basic loss per share presented as the share options and the convertible loan notes in issue during the period were not considered dilutive At 30 June 2010 there were 6,376,670 (2009 5,615,000) share options on issue and 1,000,000 convertible loan notes

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	Country of incorporation and operation	Principal activity	Solomon Gold plc's effective interest 2010	2009
Australian Resource Management (ARM) Pty Ltd	Australia	Exploration	100%	100%
Acapulco Mining Pty Ltd	Australia	Exploration	100%	0%
Central Minerals Pty Ltd	Australia	Exploration	100%	0%
Solomon Operations Ltd	Solomon Islands	Exploration	100%	100%

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (Continued)

	Shares A$	Loans A$	Investment in subsidiary undertakings Total A$
Cost			
Balance at 30 June 2008	270,571	16,343,149	16,613,720
Advances in the period	-	1,760,973	1,760,973
Balance at 30 June 2009	270,571	18,104,122	18,374,693
Acquisitions and advances in the period	10,815,085	4,786,332	15,601,417
Balance 30 June 2010	**11,085,656**	**22,890,454**	**33,976,110**
Amortisation and impairment losses			
Balance at 30 June 2008	-	-	-
Balance at 30 June 2009	-	-	-
Balance 30 June 2010	-	-	-
Carrying amounts			
At 30 June 2008	270,571	16,343,149	16,613,720
At 30 June 2009	270,571	18,104,122	18,374,693
At 30 June 2010	**11,085,656**	**22,890,454**	**33,976,110**

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 2008	270,571	16,343,149	16,613,720
Advances in the period from Solomon Gold plc to ARM Pty Ltd	-	1,760,973	1,760,973
Balance at 30 June 2009	**270,571**	**18,104,122**	**18,374,693**
Advances in the period from Solomon Gold plc to ARM Pty Ltd	-	1,346,486	1,346,486
Acquisition and advances during the period of Acapulco Mining Pty Ltd	6,118,708	751,747	6,870,455
Acquisition and advances during the period of Central Minerals Pty Ltd	4,696,377	2,688,099	7,384,476
Total Investment in subsidiaries by the Company at 30 June 2010	**11,085,656**	**22,890,454**	**33,976,110**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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 2008	194,000	56,154	30,092	43,887	14,710	338,843	2,290
Additions	-	-	-	10,807	-	10,807	6,267
Balance 30 June 2009	**194,000**	**56,154**	**30,092**	**54,694**	**14,710**	**349,650**	**8,557**
Additions – business combination	-	9,235	85,485	896	-	95,616	-
Additions - other	14,144	5,937	-	3,249	-	23,330	3,249
Balance 30 June 2010	**208,144**	**71,326**	**115,577**	**58,839**	**14,710**	**468,597**	**11,806**
Depreciation & impairment losses							
Balance 30 June 2008	(25,734)	(21,565)	(15,259)	(25,707)	(3,961)	(92,226)	(1,638)
Depreciation charge for the year	(16,300)	(11,323)	(6,068)	(13,041)	(2,966)	(49,698)	(1,177)
Balance 30 June 2009	**(42,034)**	**(32,888)**	**(21,327)**	**(38,748)**	**(6,927)**	**(141,924)**	**(2,815)**
Depreciation – business combinations	-	(2,577)	(18,231)	(556)	-	(21,364)	-
Depreciation charge for the year	(16,952)	(12,391)	(15,110)	(10,266)	(2,942)	(57,661)	(2,368)
Balance 30 June 2010	**(58,986)**	**(47,856)**	**(54,668)**	**(49,570)**	**(9,869)**	**(220,949)**	**(5,183)**
Carrying amounts							
At 30 June 2008	168,266	34,589	14,833	18,180	10,749	246,617	652
At 30 June 2009	151,966	23,266	8,765	15,946	7,783	207,726	5,742
At 30 June 2010	**149,158**	**23,470**	**60,910**	**9,269**	**4,841**	**247,648**	**6,623**

The net book value of assets pledged as security for lease finance is $54,667

NOTE 11 INTANGIBLE ASSETS

	Deferred exploration costs A$
Cost	
Balance 30 June 2008	14,976,454
Additions	3,044,968
Disposals	-
Balance 30 June 2009	18,021,422
Additions – business combination	13,343,310
Additions - expenditure	2,609,189
Disposals	-
Balance 30 June 2010	**33,973,921**
Impairment losses	
Balance 30 June 2009	-
Impairment charge	(567,415)
Balance 30 June 2010	**(567,415)**
Carrying amounts	
At 30 June 2008	14,976,454
At 30 June 2009	18,021,422
At 30 June 2010	**33,406,506**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 11 INTANGIBLE ASSETS (Continued)

Newmont Guadalcanal Venture

On 5th March 2009, the Company announced its definitive Venture Agreement with Newmont, under which Newmont can earn 51% of the defined project area by expending US$6 million within three (3) years, and may elect to expend a further US$6 million within a further two (2) years to earn a further 19% to reach 70% The defined project area comprises five (5) adjoining tenement areas on Guadalcanal, Solomon Islands The carrying value of the Capitalised Exploration of these 5 tenement areas as at 30 June 2010 is A$17,587,281 (2009 2009 $A17,349,918)

The expenditure undertaken by Newmont under the terms of the Venture Agreement has <u>not</u> been booked by the Company

Should Newmont meet the terms of its initial earn-in entitlement by expending US$6 million within three (3) years, the Company will grant Newmont a 51% equitable interest in the tenements at that point

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 (2009 Nil) A decision was made to expense $567,415 for exploration expenditure associated with tenements that were dropped during the year A detailed assessment of the carrying values of deferred exploration costs is provided in Note 24

NOTE 12 DEFERRED TAXATION

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following amounts Deferred tax has been calculated at the expected future rate of corporation tax of 28%

	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Tax losses	1,343,171	925,098	1,235,186	801,924
	1,343,171	**925,098**	**1,235,186**	**801,924**

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 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Other receivables	377,885	113,140	214,477	68,281
Prepayments	9,005	39,198	-	1,411
	386,890	**152,338**	**214,477**	**69,692**

NOTE 14 CASH AND CASH EQUIVALENTS

	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Bank balances	219,811	1,449,697	111,976	1,393,906
Call deposits	-	-	-	-
Cash and cash equivalents in the statement of cash flows	**219,811**	**1,449,697**	**111,976**	**1,393,906**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15 CAPITAL AND RESERVES

(a) Authorised Share Capital

	2009 No. of shares	2009 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
Creation of additional shares of £0 01 each on 11 December 2007	50,000,000	500,000
Creation of additional shares of £0 01 each on 1 December 2008	100,000,000	1,000,000
At 30 June 2009 – Ordinary Shares	**200,000,000**	**2,000,000**

	2010 No. of shares	2010 Nominal value £
At 1 July 2009 – Ordinary shares	200,000,000	2,000,000
Creation of additional shares of £0 01 each on 12 February 2010	200,000,000	2,000,000
At 30 June 2010 – Ordinary Shares	**400,000,000**	**4,000,000**

(b) Changes in Issued Share Capital and Share Premium

	No. of shares	Nominal value A$	Share premium A$	Total A$
Ordinary shares of 1p each at 30 June 2008	44,325,001	1,033,527	17,613,615	18,647,142
Shares issued at £0 03 – placing 21 November 2008	11,666,667	275,625	551,250	826,875
Share issue costs charged to share premium account			(115,798)	(115,798)
Shares issued at £0 03 – conversion 4 February 2009	7,299,836	163,071	332,665	495,736
Shares issued at £0 09 – consideration 10 March 2009	2,000,000	40,636	355,544	396,180
Shares issued at £0 05 – remuneration 5 May 2009	1,750,000	35,557	160,003	195,560
Shares issued at £0 08 – 30 June 2009 (see note below)	9,189,622	188,387	1,318,711	1,507,098
Ordinary shares of 1p each at 30 June 2009	**76,231,126**	**1,736,803**	**20,215,990**	**21,952,793**

As at 30 June 2009, the Company had received A$1,507,098 and allotted 9,189,622 shares to various parties under written placement agreements Together with the funds received in July 2009, the placement ultimately totalled A$2 8 million The shares were admitted to AIM on 8 and 9 July 2009

	No. of shares	Nominal value A$	Share premium A$	Total A$
Ordinary shares of 1p each at 30 June 2009	76,231,126	1,736,803	20,215,990	21,952,793
Shares issued at A$0 164 – placement 8 July 2009	8,310,378	170,363	1,192,539	1,362,902
Share issue costs charged to share premium account			(75,816)	(75,816)
Shares issued at A$0 178 – remuneration 17 July 2009	400,000	8,197	63,118	71,315
Shares issued at A$0 14 – placement 13 November 2009	21,428,571	387,686	2,612,314	3,000,000
Share issue costs charged to share premium account			(5,010)	(5,010)
Shares issued at A$0 123– consideration 21 December 2009	49,600,000	894,548	5,224,160	6,118,708
Shares issued at A$0 126 – consideration 19 February 2010	37,200,000	670,911	4,025,466	4,696,377
Shares issued at A$0 13 –consideration 27 April 2010	96,197	1,582	10,918	12,500
Ordinary shares of 1p each at 30 June 2010	**193,266,272**	**3,870,090**	**33,263,679**	**37,133,769**

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 15 CAPITAL AND RESERVES (Continued)

Potential issues of ordinary shares

At 30 June 2010 the Company had 6,376,670 options 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 2010
10 February 2006	1 January 2007	1 January 2011	£0 75 to £1 00	1,740,000	693,336
12 September 2006	1 January 2007	1 January 2011	£0 75 to £1 00	650,000	383,334
31 December 2007	31 December 2007	31 December 2010	£0 25 to £0 75	1,380,000	1,000,000
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	200,000
20 May 2009	14 October 2009	30 April 2011	£0 10	1,300,000	1,300,000
27 April 2010	27 October 2010	30 June 2011	£0 10	1,300,000	1,300,000
				8,270,000	**6,376,670**

Warrants

There were no warrants outstanding as at 30 June 2010

Share options issued

During the year, 538,330 unlisted share options in Solomon Gold plc expired out of the money

On 27 April 2010 the Company issued 1,300,000 unlisted share options to the Chief Operating Officer The options were issued free of charge and are exercisable at 10 pence per ordinary share The period during which these share options can be exercised is between 27 October 2010 and 30 June 2011

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 16 FINANCE LEASE LIABILITIES

	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Minimum lease payments				
- Not later than one year	22,756	-	-	-
- Later than one year and not later than five years	45,543	-	-	-
- Later than five years	-	-	-	-
Total Minimum lease payments	68,299	-	-	-
- Future finance charges	(9,873)	-	-	-
Lease liability	58,396	-	-	-
- **Current Liability**	**24,069**	-	-	-
- **Non- Current Liability**	**34,327**	-	-	-

Lease liabilities are secured over the assets to which they relate

NOTE 17 TRADE AND OTHER CURRENT PAYABLES

	Group 2010 A$	Group 2009 A$	Company 2010 A$	Company 2009 A$
Current				
Trade payables	829,572	381,520	96,947	241,895
Convertible Note (see Note 23)	1,000,000	-	1,000,000	-
Other payables	74,157	115,755	16,586	24,432
Accrued expenses	256,048	166,346	226,048	142,591
Short-term Loan	-	200,000	-	200,000
	2,159,778	**863,621**	**1,339,581**	**608,917**

NOTE 18 EMPLOYEE BENEFITS

Share-based payments

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

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of options 2009
Outstanding at the beginning of the period	**£0 43**	**5,615,000**	£0 52	4,970,000
Lapsed during the period	**£0 50**	**(538,330)**	£0 47	(655,000)
Granted during the period	**£0 10**	**1,300,000**	£0 10	1,300,000
Outstanding at the end of the period	**£0 37**	**6,376,670**	£0 43	5,615,000
Exercisable at the end of the period	**£0 37**	**5,076,670**	£0 43	5,615,000

The options outstanding at 30 June 2010 have an exercise price in the range of £0 10 to £1 00 (2009 £0 10-1 00) and a weighted average contractual life of 0 77 years (2009 1 31 years)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 18 EMPLOYEE BENEFITS (Continued)

Share options held by Directors are as follows

Share options held	At 30 June 2010	At 30 June 2009	Option Price	Exercise Period
Nicholas Mather	-	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	250,000	25p	31/01/08 – 31/12/10
	125,000	125,000	50p	31/01/08 – 31/12/10
	125,000	125,000	75p	31/01/08 – 31/12/10
Cameron Wenck	-	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	100,000	25p	31/01/08 – 31/12/10
	50,000	50,000	50p	31/01/08 – 31/12/10
	50,000	50,000	75p	31/01/08 – 31/12/10
Brian Moller	-	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	75,000	25p	31/01/08 – 31/12/10
	37,500	37,500	50p	31/01/08 – 31/12/10
	37,500	37,500	75p	31/01/08 – 31/12/10
Robert Weinberg	-	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	75,000	25p	31/01/08 – 31/12/10
	37,500	37,500	50p	31/01/08 – 31/12/10
	37,500	37,500	75p	31/01/08 – 31/12/10

No options were held by John Bovard at 30 June 2010 and 2009

The total number of options outstanding at year end are as follows

Share options held at 30 June 2010	Share options held at 30 June 2009	Option price	Exercise periods
1,300,000	1,300,000	£0 10	14/10/09 – 30/04/11
1,300,000	-	£0 10	27/10/10– 30/06/11
500,000	500,000	£0 20	31/12/07 – 08/11/10
1,100,000	1,100,000	£0 25	31/12/07 – 31/12/10
550,000	1,088,331	£0 50	01/01/07 – 31/12/10
1,088,334	1,088,334	£0 75	31/12/07 – 01/01/11
538,335	538,335	£1 00	01/01/08 – 01/01/11
6,376,670	5,615,000		

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

NOTE 18 EMPLOYEE BENEFITS (continued)

Fair value of share options and assumptions granted 27 April 2010	£0.10 options
Fair value at issue date	£0 0203
Exercise price	£0 10
Expected volatility	106 6%
Option life	1 17 years
Expected dividends	0 00%
Risk-free interest rate (short-term)	3 96%

The calculation of the volatility of the share price was based on the Company's daily closing share price over the two-year period prior to the date the options were issued

NOTE 19 FINANCIAL INSTRUMENTS (GROUP AND COMPANY)

If required, the Board of Directors determines 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 2010 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 statement of comprehensive income

[illegible]	Group 2010 A$	Group 2009 A$
Solomon Island dollar (SBD)	34,071	25,644

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$341 (2009 A$256) 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

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

Credit Risk

The Group is exposed to credit risk primarily on the financial institutions with which it holds cash and cash deposits At 30 June 2010, the Group had $185,740 in cash accounts with Macquarie Bank Limited in Australia and $34,071 in cash accounts with the ANZ Bank in Honiara, Solomon Islands Including other receivables, the maximum exposure to credit risk at the reporting date was $597,696 (2009 $1,562,837)

NOTE 19 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) (Continued)

Liquidity risks

The Group and Company raises funds as required on the basis of budgeted expenditure for the next 12 to 24 months, dependent on a number of prevailing factors 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 or 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 weekly, based on the sites' forecast expenditure The maturity profile of the Group's non-current financial liabilities is disclosed in note 16

The Company has a $1,000,000 liability to D'Aguilar Gold in the form of a Convertible Note The Convertible Note accrues interest at the rate of 10% per annum and is repayable by 19 February 2011 At the time of repayment, D'Aguilar Gold may choose to convert the Note into ordinary shares in Solomon Gold at the prevailing market price There is no discount or VWAP methodology applied to the conversion process D'Aguilar Gold has indicated its preference to be repaid in cash

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 statement of financial position and have been analysed in more details in notes to the accounts

All the group's financial assets are categorised as loans and receivables and all financial liabilities are measured at amortised cost

NOTE 20 COMMITMENTS

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 combined commitments of the Group related to its granted tenement interests are as follows

Location	Up to 12 Months A$	13 Months to 5 Years A$	Later Than 5 Years A$
Solomon Islands	3,423,452	2,242,262	-
Queensland	1,603,000	2,680,000	-
Total	**5,026,452**	**4,922,262**	-

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

It should be noted that the expenditure undertaken by the Guadalcanal Venture, which Newmont is committed to fund, qualifies towards the above-mentioned commitments The Board fully expects Newmont to continue to fund the Guadalcanal Venture until at least March 2012, whereupon they achieve the first of their two earn-in stages

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21 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 21 December 2009, the Company settled on the acquisition of Acapulco Mining Pty Ltd via a scrip-for-scrip transaction, under which the Company issued 49 6 million shares to the vendors of Acapulco Mining, one of which included interests associated with Nicholas Mather Furthermore, Messrs Mather and Wenck were Directors of Acapulco Given the conflict of interest, the due diligence and valuation work was undertaken by the non-conflicted Directors of the Company, assisted by an independent geologist and the Company's NOMAD

(ii) On 19 February 2010, the Company settled on the acquisition of Central Minerals Pty Ltd via a scrip-for-scrip transaction, under which the Company issued 37 2 million shares to the vendors of Central Minerals, the major shareholder in which was D'Aguilar Gold Limited, in which interests associated with Nicholas Mather hold a substantial interest Furthermore, Messrs Mather and Moller were Directors of Central Minerals, and are Directors of D'Aguilar Gold Given the conflict of interest, the due diligence and valuation work was undertaken by the non-conflicted Directors of the Company, assisted by an independent geologist and the Company's NOMAD

(iii) The Company has a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as CEO of the Company For the year ended 30 June 2010 A$161,000 was paid or payable to Samuel (2009 A$161,000) These amounts are included in Note 5 (Remuneration of Key Management Personnel) The total amount outstanding at year end is A$44,275 (2009 $68,507)

(iv) On 17 December 2008, the Company entered into an agreement with Samuel Holdings Pty Ltd (an entity associated with Nick Mather) for the provision of a short-term loan of $200,000 Interest was paid by the Company on a monthly basis at the agreed rate of 12%p a As at 30 June 2009, the principal amount of $200,000 was outstanding This loan was discharged in full on 8 July 2009

(v) The Company has a long-standing commercial arrangement with D'Aguilar Gold, an entity associated with Nicholas Mather (Director) and Brian Moller (Director), for the provision of various services, whereby D'Aguilar Gold provides resources and services including the provision of its administration and exploration staff, 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 for any expenses incurred by it in providing the Services For the year ended 30 June 2010 A$262,929 was paid or payable to D'Aguilar Gold (2009 A$38,872) for the provision of administration, management and office facilities to the Company during the year The total amount outstanding at year end was A$102,098 (2009 A$Nil)

(vi) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers For the year ended 30 June 2010, Hopgood Ganim were paid A$228,931 (2009 A$131,062) for the provision of legal services to the Company The services were based on normal commercial terms and conditions The total amount outstanding at year end was A$66,281 (2009 A$102,223)

(vii) As part of the commercial agreements for the acquisition of Central Minerals Pty Ltd, the Company acquired a loan repayable to D'Aguilar Gold, an entity associated with Nicholas Mather (Director) and Brian Moller (Director) A$1 million was repaid on the date of the acquisition, and A$1 million remains payable under a Convertible Note instrument The Convertible Note bears interest at a rate of 10% p a and is repayable in cash on 19 February 2011 Whilst D'Aguilar Gold has the option to convert the A$1 million into fully paid ordinary shares in the Company at their prevailing market price, it has indicated its strong preference for the Note to be repaid in cash For the year ended 30 June 2010, A$36,413 in interest was payable to D'Aguilar Gold At 30 June 2010, A$36,413 remained outstanding

(b) Share and Option transactions of Directors are shown under Notes 5 and 18

NOTE 21 RELATED PARTIES (Continued)

(b) Company

The Company has a related party relationship with its subsidiaries (see note 9), Directors and other key personnel (see Note 21 (a))

Subsidiaries

The Company has an investment in subsidiaries balance of A$34,746,880 (2009 A$18,374,693) The transactions during the year have been included in 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 statement of financial position

(c) Controlling party

In the Directors' opinion there is no ultimate controlling party

NOTE 22 SUBSEQUENT EVENTS

On 12 July 2010, the Company issued 33,089,099 shares to investors pursuant to a placement at $0 09, raising a total of A$2,839,145 before costs

On 22 October 2010, the Company announced that it had successfully raised approximately $24m through the issue of 54,017,153 shares at a price of approximately $0 45 from institutional and private investors The placement is due to settle following a shareholder's meeting called for 8 November 2010

NOTE 23 BUSINESS COMBINATIONS

During the year, Solomon Gold made the following acquisitions as part of its well publicized corporate strategy to become a major gold explorer, developer and miner within the south west pacific Region

Acapulco Mining Pty Ltd

On 21 December 2009, Solomon Gold Plc acquired 100% of the capital of Acapulco Mining Pty Ltd, an Australian company with exploration assets in Queensland Under the transaction, Solomon Gold issued 49 6 million fully paid shares as consideration to the vendors of Acapulco Mining

Due to certain relationships, the acquisition was considered to be a related party transaction (refer Note 21) and was accordingly governed by the Company's non-conflicted Directors, with assistance from the Company's NOMAD The consideration shares were issued at the prevailing LSE(AIM) price for Solomon Gold at the time of gaining control of the target company Accordingly, the consideration for the acquisition has been valued at A$6,118,708

In accordance with the new revisions to IFRS 3 effective from 1 July 2009, the acquisition-related costs of A$228,034 have been expensed

Central Minerals Pty Ltd

On 19 February 2010, following D'Aguilar Gold Ltd shareholder approval granted at an Extraordinary General Meeting, Solomon Gold Plc acquired 100% of the shares in Central Minerals Pty Ltd for 37 2 million Solomon Gold shares under a scrip-for-scrip acquisition

Under the transaction, Solomon Gold also agreed to the repayment of a A$2,228,873 inter-company loan between D'Aguilar Gold Ltd and Central Minerals for the payment of A$2,000,000 as follows

- A$1,000,000 was paid on 19 February 2010,
- A$1,000,000 is payable on 19 February 2011, pursuant to a Convertible Note arrangement

The Convertible Note will mature 12 months from the date of issue, bear a 10% coupon rate, and is convertible (at D'Aguilar Gold's option) at the greater of 8p per share, or the prevailing price of Solomon Gold shares at the time of conversion D'Aguilar Gold has indicated its strong preference for the Note to be repaid in cash The consideration shares were issued at the prevailing LSE(AIM) price for Solomon Gold at the time of gaining control of the target company Accordingly, the consideration for the acquisition has been valued at A$4,696,377

In accordance with the new revisions to IFRS 3 effective from 1 July 2009, the acquisition-related costs of $109,536 incurred in connection with the Central Minerals Pty Ltd transaction have been expensed

NOTE 23 BUSINESS COMBINATIONS (Continued)

The net assets and liabilities of each of the acquisitions were recognised and measured as set out below

	Acapulco Mining	Central Minerals	Recognised on acquisition
	A$	A$	A$
Cash & cash equivalents	12,166	6,465	18,631
Receivables	41,680	4,483	46,163
Other financial assets	5,880	45,000	50,880
Fixed assets	35,870	38,382	74,252
Exploration assets	6,543,921	6,799,389	13,343,310
Trade and other payables	(486,795)	(2,164,794)	(2,651,589)
Other financial liabilities	(34,014)	(32,548)	(66,562)
Fair Value of Assets / Consideration	**$6,118,708**	**$4,696,377**	**$10,815,085**

Cash Inflows / Outflows

The business combination resulted in net cash acquired of $18,631 to the Company, with an immediate payment of $1,000,000 in loan funds owed to D'Aguilar Gold by Central Minerals under the terms of the transaction

Revenue and Profit Combination

From the date of acquisition, Acapulco Mining has contributed no revenue, and a loss of $590,094 If Acapulco Mining was owned for the full year, the company would have contributed a loss of $609,103 to the Group

From the date of acquisition, Central Minerals has contributed no revenue, and a loss of $2,130 If Central Minerals was owned for the full year, the company would have contributed a loss of $161,115 to the Group

Acquisition Related Costs

In accordance with the new revisions to IFRS 3 effective from 1 July 2009, the acquisition-related costs of $337,570 incurred in connection with the acquisition transactions have been expensed under 'Administrative expenses' in the Statement of Comprehensive Income

NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

The key elements of the Statement of Financial Position that rely on the business judgment of the Directors as related to their carrying value include the capitalised exploration expenditure, and the business combination (also largely reflected in the consolidated carrying value of exploration expenditure)

The Directors have 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 by the Guadalcanal Venture during 2009 Previously 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$3 98 million is considered to be unimpaired

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Key sources of estimation uncertainty (continued)

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 37 million is considered to be unimpaired

Mbetilonga PL 04/05

This tenement is still at an early stage and the drill testing of the key targets has not yet been completed Five holes were previously drilled into two prospects in the tenement, with inconclusive results Several historical and newly defined targets are yet to be tested 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$4 11 million is considered to be unimpaired

Sutakiki PL 05/05

Exploration on Sutakiki PL 02/05 is still at an early stage however previous 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$8 88 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 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 25 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 52 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 04 million is considered to be unimpaired

Fauro PL 12/09

Exploration on the island of Fauro is at an early stage and the airborne surveying, 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 significant gold and copper resources The carrying value of A$1 26 million is considered to be unimpaired

NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

Acapulco Mining Projects

Acapulco comprises eight granted tenements and three applications The granted tenements comprise 246 sub-blocks (circa 738km^2) and tenements under application comprise 165 sub-blocks (approximately 495km^2)

Extensive airborne magnetic and electromagnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling and mapping programs Between August 2009 and September 2010 a total of 38 holes, equivalent to 4,600m have been drilled on the Acapulco Tenements Since May 2006 a total of 206 holes, equivalent to 14,820m have been drilled on the Tenements

The objective is to step-out from areas of known gold mineralisation so that resources can be defined and enlarged, with the objective of defining a maiden resource The Company intends to continue its aggressive program on the project

The aggregated carrying value of A$6 4 million is considered to be unimpaired

Central Minerals Projects

Central comprises 17 granted tenements and five applications The granted tenements comprise 1,102 sub-blocks (circa 3,306km2) and 231 sub-block (circa 693km2) applications

Extensive airborne magnetic and electromagnetic surveys have been conducted over the area, together with detailed soil and rock chip sampling and mapping programs Between August 2009 and September 2010 a total of 109 holes, equivalent to 9,720m have been drilled on the Central Tenements Since October 2007, a total of 182 holes, equivalent to 16,960m have been drilled on the Tenements

On the 7 June 2010, Solomon Gold announced an independently calculated Maiden Inferred Mineral Resource at Crunchie The estimate is 5 6Mt at 1 12g/t equ Au for 201,648oz of contained equivalent gold (79,219oz Au and 7,921,883oz Ag), based on a 0 20g/t equ Au minimum cut-off grade

The objective is to step-out from areas of known gold mineralisation so that resources can be defined, or enlarged which will compliment the already defined Crunchie Resource Five known and closely clustered prospects, collectively referred to as 'Central Rannes', Crunchie, Homestead, Kauffmans, Cracklin Rosie and Porcupine Pie have been drilled to date, with results which show long intersections of potentially economic gold mineralisation The Company intends to continue its aggressive program on the project Further opportunities have been identified at Brother, Police Camp Creek and Cooper

The aggregated carrying value of A$7 5 million is considered to be unimpaired