



Solomon Gold plc

SOLOMON GOLD PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2009

Corporate Information

DIRECTORS

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)

COMPANY SECRETARY

Karl Schlobohm

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SOLICITORS

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AUSTRALIAN SOLICITORS

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Chairman's Statement

Dear Shareholder

The half year to 31 December saw your Company take significant steps forward in the development of its strategic direction. The strategy has been specifically designed to lower the company's reliance on the highly prospective exploration program on Guadalcanal Island in the Solomon Islands. The Company previously secured the financial and technical backing of Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation (NYSE:NEM) ("Newmont") in a Joint Venture agreement over the Guadalcanal projects, signed in March 2009. Since then, the Company has continued to benefit from the JV arrangement with Newmont in its efforts to find a giant copper-porphry deposit on Guadalcanal Island, situated in the Solomon Islands. In addition, your Board and Management have successfully focused their efforts on a strategy designed to diversify and de-risk Solomon Gold's assets. These efforts have resulted in acquiring two "nearer term" gold projects in Queensland as well as securing tenure over and commencing work on the exciting Fauro Island project in northern Solomon Islands, just across the border from the giant Bougainville deposit in PNG.

Solomon Gold has acquired two companies holding promising exploration projects in Queensland, Australia. In late 2009, the Company finalized terms for the acquisition of Acapulco Mining Pty Ltd, which holds extensive tenements over a large project area in and around Mt Perry and which sits only 15km from Lihir Gold's Mt Rawdon mine (a 1 million oz resource producing 100k oz pa gold). The project area is located on the intersection of strong regional geological features which host porphyry gold copper molybdenum potential. Extensive mapping and sampling has identified seven drill targets which have yielded potentially economic results. Previous drilling of these geological systems has yielded both high grades and long intersections of medium grade mineralisation to date, so extensive drilling programs are planned in 2010.

The second acquisition, Central Minerals Pty Ltd, was completed recently following approval at a Special Meeting of Shareholders of its former owner, D'Aguiar Gold Limited (an ASX listed Company). Central Minerals holds exploration licences covering a huge area along the eastern edge of the Bowen Basin in Central Queensland, approximately 200km southwest of the Central Queensland port of Rockhampton. The main project in the area is at Rannes which is located near Newcrest's famous Cracow mine and which exhibits structures and geochemistry similar to the Carlin trend in Nevada USA (one of the most prolific gold producing belts in the world). There are five prospects that have been subject to first pass drilling by Central Minerals and previous explorers, with potentially economic intersections in all of them. In addition, surface soil, stream and rock sampling has identified a further thirteen gold targets, of which five are considered to be high order and located close to the drilled prospects referred to above. Solomon Gold plans to continue the exploration program at Rannes, with drilling of further initial targets planned for the next quarter.

Both Queensland projects acquired are 100% owned and operated by Solomon Gold. Your Company has set out a six month exploration plan and budget for the newly acquired Queensland assets with the intention of defining a resource and bringing it into production as soon as practicable.

The Company was granted an exploration license over a highly prospective area on Fauro Island, following considerable negotiation and agreement with its landowners over most of calendar 2009. The northern peninsula of Fauro Island is the remnant rim of a volcano and our geologists believe it represents a gold rich high level variant sitting above a porphyry system similar to Bougainville, and with similar mineralogy and geological setting to the giant 40m oz Lihir deposit. Stream sediment sampling in December 2009 by Solomon Gold geologists identified gold contents between two and six times the levels found in highly anomalous samples on the Company's project on the main island of Solomon Islands, Guadalcanal. Samples taken at that time show gold values up to 169 grams per tonne or over 5 ounces per tonne, and some samples showed gold visible to the naked eye. An airborne magnetic and electromagnetic survey over the entire licence area is underway and thereafter the company expects to commence a drill program in the second quarter of 2010 to test the anomalies identified. Like Guadalcanal, Fauro has potential to host a world class gold deposit. The license over Fauro Island is owned 100% by your Company.

The Newmont JV is now moving forward at a faster pace than expected. Despite a slow start to the proposed drilling program (as more geological data was gathered and interpreted), in just the second year of the agreement, Newmont has decided to spend in excess of A\$5m on exploration. Newmont continues to rank the project as an important element of its global greenfields exploration effort. We are confident the obstacles and delays to the planned drilling program have now been either removed or addressed, and we look forward to the generation of results at a faster pace in 2010.

Finally, your Company has announced some key appointments, including Mr John Bovard who joined the Board as a Non-Executive Director late last year, and Mr Alex Thin who recently became the Company's Chief Operating Officer. John has long experience in mine development particularly in similarly difficult areas in the South Pacific to the Solomons, which will prove invaluable as our Solomon Island prospects evolve. Alex is an Engineer with experience in mining and mine development and brings much needed assistance to the existing Executive and Staff in the day to day running of the Company.

The Solomon Gold Board believes the work and success achieved in recent times has rebuilt the Company strongly and provides a platform for its new strategic direction in 2010. The significant initiatives and achievements outlined above offer the Company an opportunity to develop and mature into an integrated gold explorer, developer and miner with prospects that range from lower risk, more advanced prospects proceeding to resource definition in Queensland and which offer the possibility of bringing new gold assets into production more quickly, through to the high risk, high reward projects of the Solomon's like Guadalcanal Island (in JV with Newmont) and the recently created Fauro Island opportunity. Following this period of re-invigoration, re-organization and re-focus, we are now looking forward to steady growth of the company and realization of the value that these changes should bring.



Cameron Wenck
Chairman
26 March, 2010

Qualified Person

Information in this report relating to the exploration results is based on data reviewed by Mr Nicholas Mather (B.Sc. Hons Geol.), the Chief Executive Officer of the Company. Mr Mather is a Fellow of the Australasian Institute of Mining and Metallurgy who has in excess of 25 years experience in mineral exploration and is a Qualified Person under the AIM Rules. Mr Mather consents to the inclusion of the information in the form and context in which it appears.

Consolidated Statement of Comprehensive Income

for the six months ended 31 December 2009

	Note	Six months to 31 Dec 2009 A\$	Six months to 31 Dec 2008 A\$	Year Ended 30 June 2009 A\$
Revenue		-	-	-
Cost of sales		-	-	-
Gross profit		-	-	-
Other operating income		135,285	27,956	96,155
Acquisition costs written-off		(333,307)	-	-
Exploration costs written-off		-	-	(14,480)
Administrative expenses		(733,237)	(505,923)	(1,376,014)
Operating loss		(931,259)	(477,967)	(1,294,339)
Finance income		16,913	27,312	54,842
Loss for the period		(914,346)	(450,655)	(1,239,497)
Other comprehensive income		-	-	-
Comprehensive loss for the period		(914,346)	(450,655)	(1,239,497)

	Note	Six months to 31 Dec 2009 A\$	Six months to 31 Dec 2008 A\$	Twelve months to 30 June 2009 A\$
Basic and diluted loss per ordinary share				
- basic and diluted	5	(0.0098)	(0.0096)	(0.0224)

Consolidated Statement of Financial Position

at 31 December 2009

	Note	31 Dec 2009 A\$	31 Dec 2008 A\$	30 June 2009 A\$
Assets				
Property, plant and equipment		233,992	225,172	207,726
Financial assets		110,932	-	-
Intangible assets		25,356,412	17,431,288	18,021,422
Total non-current assets		25,701,336	17,656,460	18,229,148
Other receivables and prepayments		286,705	167,146	152,338
Cash and cash equivalents		4,029,341	146,907	1,449,697
Total current assets		4,316,046	314,053	1,602,035
Total assets	2	30,017,382	17,970,513	19,831,183
Equity				
Issued share capital		3,197,597	1,287,542	1,736,803
Share premium		29,728,242	18,065,929	20,215,990
Other reserves		1,484,052	1,683,142	1,411,570
Retained losses		(5,311,146)	(3,908,250)	(4,396,801)
Total equity		29,098,745	17,128,363	18,967,562
Liabilities				
Trade and other payables		885,279	642,150	663,621
Interest-bearing loans and borrowings		33,358	200,000	200,000
Total liabilities	2	918,637	842,150	863,621
Total equity and liabilities		30,017,382	17,970,513	19,831,183

Cameron Wenck
Chairman
26 March 2010

Consolidated Statement of Changes in Equity

	Note	Share capital A\$	Share premium A\$	Share option reserve A\$	Warrant s reserve A\$	Retained loss A\$	Total A\$
Balance at 1 July 2008		1,033,527	17,613,615	1,510,339	172,803	(3,459,595)	16,872,689
Total comprehensive loss for the period						(450,655)	(450,655)
<u>Transactions with owners in their capacity as owners</u>							
New share capital subscribed		254,015	508,030				762,045
Share Issue Costs			(55,716)				(55,716)
<i>Employee share option scheme:</i>							
- value of services provided							
Balance 31 Dec 2008		1,287,542	18,065,929	1,510,339	172,802	(3,908,250)	17,128,363
Total comprehensive loss for the period						(788,841)	(788,841)
<u>Transactions with owners in their capacity as owners</u>							
New share capital subscribed		449,261	2,210,143				2,659,404
Adjustment to previous							
Share Issue Costs			(60,082)				(60,082)
<i>Employee share option scheme:</i>							
- value of services provided				28,719			28,719
Reserve Transfer on Expiration				(127,418)	(172,803)	300,291	-
Balance 30 June 2009		1,736,803	20,215,990	1,411,570	-	(4,396,800)	18,967,563
Total comprehensive loss for the period						(914,346)	(914,346)
<u>Transactions with owners in their capacity as owners</u>							
New share capital subscribed	3	1,460,794	9,593,077				11,053,871
Share Issue costs			(80,825)				(80,825)
<i>Employee share option scheme:</i>							
- value of services provided	4			72,482			72,482
Balance 31 Dec 2009		3,197,597	29,728,242	1,484,052	-	(5,311,146)	29,098,745

Consolidated Statement of Cash Flows

for the six months ended 31 December 2009

	Note	Six months to 31 Dec 2009 A\$	Six months to 31 Dec 2008 A\$	Year Ended 30 June 2009 A\$
Cash flows from operating activities				
Operating loss		(931,259)	(450,655)	(1,294,339)
Depreciation		23,783	25,985	49,698
Share based payment expense	4	143,796	-	224,280
(Increase)/decrease in other receivables and prepayments		(201,128)	158,961	173,767
(Decrease)/increase in trade and other payables		(265,137)	290,858	112,329
Cash used in operations		(1,229,945)	25,149	(734,265)
Net cash outflow from operating activities		(1,229,945)	25,149	(734,265)
Cash flows from investing activities				
Interest Received		16,913	-	54,842
Acquisition of property, plant and equipment		(14,144)	(4,540)	(10,807)
Refunds / (payments) of security deposits		3,200	-	-
Acquisition of intangible assets		(290,407)	(2,454,836)	(2,648,788)
Net cash acquired with subsidiary		12,607	-	-
Net cash (outflow)/inflow from investing activities		(271,831)	(2,459,376)	(2,604,753)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital		4,362,902	762,045	2,829,708
Refund/(payment) of issue costs		(80,826)	(55,716)	(115,798)
Loan from Director related entity		-	-	200,000
Repayment of loan from Director related entity		(200,000)	-	-
Repayment of lease finance		(656)	-	-
Net cash inflow from financing activities		4,081,420	706,329	2,913,910
Net (decrease)/increase in cash and cash equivalents		2,579,644	(1,727,898)	(425,108)
Cash and cash equivalents at beginning of period		1,449,697	1,874,805	1,874,805
Cash and cash equivalents at end of period		4,029,341	146,907	1,449,697

Notes to the consolidated financial statements

NOTE 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are presented in Australian dollars (“A\$”) and have been prepared on the historical cost basis or the fair value basis, where the fair valuing of relevant assets and liabilities has been applied. The financial statements have been prepared and presented in accordance with IAS 34.

The Company was incorporated on 11 May 2005. The Group has elected, from incorporation, to prepare annual consolidated financial statements in accordance with IFRS. Acapulco Mining Pty Ltd joined the consolidated group on 21 December 2009. Comparative figures in this report do not therefore include Acapulco Mining Pty Ltd.

Other than as disclosed, the interim financial information set out on pages 5 to 8 have been prepared on the same basis and using the same accounting policies as were applied in drawing up the Company’s statutory financial statements for the year ended 30 June 2009.

The financial information for the six months ended 31 December 2009 is unaudited. In the opinion of the Directors the financial information for this period presents fairly the financial position, results of operations and cash flows for the period in conformity with generally accepted accounting principles. The financial information for the twelve months ended 30 June 2009 has been derived from the Group’s audited financial statements for the period as filed with the Registrar of Companies. It does not constitute the financial statements for that period. The auditors’ report on the statutory financial statements for the period ended 30 June 2009 was unqualified and did not contain any statement under Section 498(2) or (3) of the Companies Act 2006.

In common with many exploration companies, the Company raises finance for the Group’s exploration and appraisal activities in discrete tranches. The Directors are confident that the Company’s track record of successful capital raisings will continue, as will the funding arrangements for the Guadalcanal Venture agreed with Newmont. The Company currently has sufficient cash on hand to meet its on-going expenditure commitments for the next twelve (12) months. However, it should be noted that the Company’s funds will not be sufficient to bring the projects into full development, and further funding will be required for mining and production. In the event that the Company is unable to secure further finance, it may not be able to fully develop its projects.

(a) Determination and presentation of operating segments

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 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.

The half-year report does not include all notes of the type normally included in an annual financial report.

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.

Notes to the consolidated financial statements

NOTE 2 SEGMENT REPORTING (Continued)

	Solomon Gold	Australian Resource Management	Acapulco Mining	Other Subsidiaries	On Consolidation	Total
	\$	\$	\$	\$	\$	\$
<u>31 December 2009</u>						
Revenue - External	134,934	351	-	-	-	135,285
Profit/(Loss) for Period	(873,106)	(21,511)	(346)	(19,383)	-	(914,346)
Total Assets	29,659,306	19,251,529	2,968,207	18,114	(21,879,774)	30,017,382
Total Liabilities	251,767	19,241,081	542,415	66,439	(19,183,065)	918,637
<u>31 December 2008</u>						
Revenue - External	-	18,584	N-A	9,372	-	27,956
Revenue-Inter-segment	13,297	-	N-A	-	(13,297)	-
Profit/(Loss) for Period	(409,744)	(47,678)	N-A	6,767	-	(450,655)
Total Assets	17,632,548	17,333,231	N-A	5,059,487	(22,054,753)	17,970,513
Total Liabilities	466,386	17,080,487	N-A	5,079,459	(21,784,182)	842,150
<u>30 June 2009</u>						
Revenue - External	77,894	16,673	N-A	1,588	-	96,155
Revenue-Inter-segment	157,834	-	N-A	-	(157,834)	-
Profit/(Loss) for Period	(968,832)	(268,461)	N-A	(2,204)	-	(1,239,497)
Total Assets	19,844,033	18,327,007	N-A	67,785	(18,407,642)	19,831,183
Total Liabilities	608,917	18,295,047	N-A	96,728	(18,137,071)	863,621

Acapulco Mining Pty Ltd joined the Solomon Gold Group on 21 December 2009.

NOTE 3 CAPITAL AND RESERVES

Shares issued

During the period the company issued shares for the following purposes:

- (i) 29,783,849 for cash consideration received of \$4,362,902 (less raising costs of \$80,825);
- (ii) 400,000 as share based payments to a key employee, valued at \$71,314;
- (iii) 49,600,000 as consideration for the acquisition of Acapulco Mining Pty Ltd, valued at \$6,619,655.

Share options and warrants

The share option reserve is in respect of the expense recognised in the Statement of Comprehensive Income based on the fair value of share options issued since February 2006.

For the six months ending 31 December 2009, the Company did not issue any share options. The movement in the Option Reserve for the period represents the proportionate value of the periodic expense for those options issued on 14 April 2009, the value for which has been expensed over their vesting period in accordance with accounting standards.

Other reserves

There are no other reserves in use at present.

Dividends

The Directors do not recommend the payment of a dividend.

Notes to the consolidated financial statements

NOTE 4 SHARE BASED PAYMENTS

For the six months ending 31 December 2009, the Company issued 400,000 fully-paid, ordinary shares valued at \$71,314 to a key employee. During the period, the Company did not issue any share options. However, included in the share based payments expense for the period is \$72,482 which represents a portion of the value of the options issued on 14 April 2009, the value for which has been expensed over their vesting period in accordance with accounting standards.

NOTE 5 LOSS PER SHARE

The calculation of total loss per ordinary share on total operations is based on losses of \$914,346 (six months to 31 December 2008: \$450,655 and period to 30 June 2009: \$1,239,497) and the weighted average number of ordinary shares outstanding of 93,481,473 (46,875,092 for the six months to 31 December 2008 and 55,218,452 for the period to 30 June 2009). There is no difference between the diluted loss per share and the loss per share presented as the share options in issue were not considered dilutive.

At 31 December 2009 there were 5,615,000 (30 June 2009: 5,615,000 and 31 December 2008: 4,969,997) share options on issue.

NOTE 6 ACQUISITION OF SUBSIDIARY

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 49.2 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 7) 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 the transaction. Accordingly, the acquisition has been valued at \$6,619,655.

In accordance with the new revisions to IFRS 3 effective from 1 July 2009, the acquisition-related costs of \$227,522 have been expensed.

At the date of the acquisition, the fair value of the identifiable assets and liabilities acquired were:

	A\$
Cash and cash equivalents	12,606
Receivables	41,491
Other financial assets	5,880
Fixed assets	35,904
Exploration expenditure	7,044,583
Trade and other payables	(486,795)
Lease finance	(34,014)
Fair value of Net Assets acquired	6,619,655

The assessment of the fair value of the assets and liabilities acquired, particularly the exploration assets, was undertaken by the independent Directors of the Company with assistance from the Company's NOMAD, having regard to a range of market and industry related factors and geological reports.

Notes to the consolidated financial statements

NOTE 7 RELATED PARTIES

Transactions with Directors and Director-Related Entities

- (i) Solomon Gold Plc has a standing Administration and Services Agreement with D'Aguilar Gold Ltd, an entity associated with Nicholas Mather (a Director) and Brian Moller (a Director) whereby D'Aguilar Gold Ltd has agreed to provide certain services including the provision by D'Aguilar Gold Ltd of its premises (for the purposes of conducting the Company's business operations), use of existing office furniture, equipment and certain stationery, together with general telephone, reception and other office facilities ('Services'). In consideration for the provision of the Services, the Company shall reimburse D'Aguilar Gold Ltd for any expenses incurred by it in providing the Services. The Administration Services Agreement may be terminated upon the occurrence of an insolvency event of the other party, a failure to remedy a material breach of the Administration Services Agreement by the other party or upon three months written notice to the other party. D'Aguilar Gold Ltd was paid \$78,011 (2008: \$14,045) for the provision of administration, management and office facilities to the Company during the half year. The total amount outstanding at half year end is \$46,587 (2008: \$24,889)
- (ii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. Hopgood Ganim were paid \$184,845 (2008: \$77,669) for the provision of legal services to the Company during the half year. These services were based on normal commercial terms and conditions. The total amount outstanding at half year end is \$52,077 (2008: \$29,230).
- (iii) Solomon Gold Plc has a professional services agreement with Australian Resource Management (ARM) Pty Ltd to provide certain management services to ARM. During the period, \$Nil (2008: \$13,297) was paid to the Company for the provision of professional services.
- (iv) On 2 December 2009, the Company announced its intention to acquire, on a scrip-for-scrip basis, two (2) exploration companies with projects based in Queensland Australia.

The first acquisition, of Acapulco Mining Pty Ltd (refer Note 6), was settled on 21 December 2009. Messrs Mather and Wenck were interested Directors in Acapulco, and Mr Mather was a shareholder in Acapulco. The decision making process of the Solomon Gold Board was handled by the independent, non-conflicting Directors, with Messrs Mather and Wenck abstaining. The Acapulco shareholders agreed to a six (6) month voluntary escrow on their consideration shares in Solomon Gold, subject to certain carve outs in the event takeover offers are received for the company during the escrow period.

The second acquisition, of Central Minerals Pty Ltd, was settled after the end of the period to which this report relates (refer Note 8). Messrs Mather and Moller were interested Directors in Central Minerals, and Mr Mather was a shareholder in Central Minerals, and also a substantial shareholder of the ASX-listed D'Aguilar Gold Ltd, the 79% parent of Central Minerals. The decision making process of the Solomon Gold Board was handled by the independent, non-conflicting Directors, with Messrs Mather and Moller abstaining.

NOTE 8 SUBSEQUENT EVENTS

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 acquired the \$2,228,873 inter-company loan between D'Aguilar Gold Ltd and Central Minerals for the payment of \$2,000,000 as follows:

- (i) \$1,000,000 was paid on 19 February 2010;
- (ii) \$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.

In accordance with the new revisions to IFRS 3 effective from 1 July 2009, the acquisition-related costs of \$105,785 incurred during the period to 31 December 2009 in connection with the Central Minerals Pty Ltd transaction have been expensed.