



Solomon Gold plc

SOLOMON GOLD PLC

HALF YEAR FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2010

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

REGISTERED OFFICE

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United Kingdom

Registered Number 5449516

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NOMINATED ADVISOR

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Level 14, 19-31 Pitt Street
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BROKER

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46 Berkeley Square, Mayfair
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BANKERS

Macquarie Bank Ltd (Brisbane Branch)
345 Queen Street
Brisbane QLD 4000
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SOLICITORS

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AUSTRALIAN SOLICITORS

Hopgood Ganim
1 Eagle Street
Brisbane QLD 4000
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REGISTRARS

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

DIRECTORS' REPORT

Your Directors present their report on the company and its controlled entities for the half year ended 31 December 2010. Solomon Gold plc is a public limited company incorporated in England and Wales.

DIRECTORS

The names of the Directors in office at any time during or since the end of the period are:

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)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

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.

REVIEW AND RESULTS OF OPERATIONS

During the reporting period further ground based surface sampling commenced over the Fauro Island Project (100% owned by Solomon Gold), which identified seven prospects. The best results were up to 169g/t gold, 0.35% copper and 0.43% molybdenum. Drilling commenced at Fauro on 23 December 2010 on the Meriguna Prospect. Drilling will continue through 2011, as part of a 9,900m drilling program.

At the Guadalcanal Joint Venture Project (Newmont will earn into 51% of the Project by spending US\$6million by 4 March 2012, and can elect to increase this to 70% by spending a further US\$6.0million in a further two-years) ground based exploration continued over the five Projects. Drilling commenced at Koloula, part of a 3,000m program which was completed before Christmas 2010.

Resource definition drilling continues on the Rannes Project (100% owned by Solomon Gold), with encouraging results, which will enhance the 201,648oz Inferred Resource that was announced in June 2010. At the Mt Perry Project (100% owned by Solomon Gold), drilling continued on known prospects and it is envisaged that a maiden resource will be announced in 2011.

MATTERS SUBSEQUENT TO THE HALF YEARLY FINANCIAL PERIOD

The Directors are not aware of any significant change in the state of affairs of the Company after the balance date that is not covered in this report.

AUDITORS INDEPENDENCE DECLARATION

The Auditor's Independence Declaration under s307c of the *Corporations Act 2001* forms part of the Directors' Report and can be found on page 14.

Signed in accordance with a resolution of the board of Directors.



Nicholas Mather
Director
Brisbane
18 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	2010 A\$	2009 A\$
Revenue		54,193	152,198
Administration and consulting expenses		603,253	434,545
Borrowing cost expenses		39,285	-
Depreciation and amortisation expense		34,007	23,783
Employee benefit expenses		325,336	115,443
Exploration expenditure written-off		85,379	-
Legal expenses		44,583	15,670
Share based payments expense		-	143,796
Other expenses		-	333,307
Operating loss before income tax		(1,077,650)	(914,346)
Income tax expense		-	-
Loss for the period		(1,077,650)	(914,346)
Other comprehensive income		-	-
Total comprehensive loss for the period		(1,077,650)	(914,346)

	Notes	2010 cents	2009 cents
Basic and diluted loss per ordinary share			
- basic and diluted	4	(0.4)	(1.0)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2010

	Notes	31 December 2010 A\$	30 June 2010 A\$
Assets			
Current assets			
Cash and cash equivalents	5	19,883,354	219,811
Other receivables and prepayments		274,946	188,669
Other current assets		127,693	9,005
Total current assets		20,285,993	417,485
Non-current assets			
Other financial assets		70,660	63,160
Receivables		327,786	126,056
Investments in available-for-sale securities		8,000	-
Property, plant and equipment		343,303	247,648
Intangible assets	6	37,165,304	33,406,506
Total non-current assets		37,915,053	33,843,370
Total assets		58,201,046	34,260,855
Current liabilities			
Trade and other payables		742,899	2,159,778
Lease liabilities		37,538	24,069
Total current liabilities		780,437	2,183,847
Non-current liabilities			
Lease liabilities		130,103	34,327
Total non-current liabilities		130,103	34,327
Total liabilities		910,540	2,218,174
Net assets		57,290,506	32,042,681
Equity			
Issued capital	7	63,459,244	37,133,769
Reserves		427,393	1,070,805
Accumulated losses		(6,596,131)	(6,161,893)
Total equity		57,290,506	32,042,681

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

Notes	Share capital A\$	Share option reserve A\$	Accumulated losses A\$	Total A\$
Balance at 1 July 2009	21,952,793	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	11,053,871	-	-	11,053,871
Share Issue costs	(80,826)	-	-	(80,826)
<i>Employee share option scheme:</i>				
- value of services provided	-	72,482	-	72,482
Balance 31 Dec 2009	32,925,838	1,484,052	(5,311,146)	29,098,744
Total comprehensive loss for the period			(1,278,644)	(1,278,644)
<u>Transactions with owners in their capacity as owners</u>				
New share capital subscribed	4,124,116	-	-	4,124,116
Value of shares and options issued to Directors, employees and consultants	83,815	14,650	-	98,465
Reserve transfers on expiration	-	(427,897)	427,897	-
Balance 30 June 2010	37,133,769	1,070,805	(6,161,893)	32,042,681
Total comprehensive loss for the period	-	-	(1,077,650)	(1,077,650)
<u>Transactions with owners in their capacity as owners</u>				
New share capital subscribed	27,038,829	-	-	27,038,829
Share Issue Costs	(1,221,487)	-	-	(1,221,487)
Exercise of share options	508,133	-	-	508,133
Reserve transfers on expiration	-	(643,412)	643,412	-
Balance 31 December 2010	63,459,244	427,393	(6,596,131)	57,290,506

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010

	Notes	2010 A\$	2009 A\$
Cash flows from operating activities			
Receipts from customers		-	135,285
Payments to suppliers and employees		(1,163,156)	(1,365,230)
Interest received		54,193	16,913
Interest paid		(39,285)	-
Net cash outflow from operating activities		(1,148,248)	(1,213,032)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(10,297)	(14,144)
Investments in available-for-sale securities		(8,000)	-
Refund of (payment for) security deposits		(10,702)	3,200
Acquisition of intangible assets		(4,357,160)	(290,407)
Net cash acquired with subsidiary		-	12,607
Net cash (outflow)/inflow from investing activities		(4,386,159)	(288,744)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital		27,038,829	4,362,902
Payment of issue costs		(1,221,487)	(80,826)
Proceeds from the exercise of share options		508,133	-
Loans to third parties		(117,405)	-
Repayment of convertible notes		(1,000,000)	-
Repayment of loan from Director related entity		-	(200,000)
Net repayment of finance leases		(10,121)	(656)
Net cash inflow from financing activities		25,197,949	4,081,420
Net (decrease)/increase in cash and cash equivalents		19,663,542	2,579,644
Cash and cash equivalents at beginning of period		219,811	1,449,697
Cash and cash equivalents at end of period		19,883,353	4,029,341

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This general purpose condensed financial report for the half year ended 31 December 2010 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated financial statements are presented in Australian dollars (“A\$”) and have been prepared on the historical cost basis.

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2010 and considered together with any public announcements made by Solomon Gold plc and its controlled entities during the half year ended 31 December 2010 in accordance with the continuous disclosure obligations arising under the *Corporations Act 2001*.

Apart from the changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

Changes in accounting policy

The following amending Standards have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

- AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in AASB 5. The disclosure requirements of other Accounting Standards only apply if specifically required for such non-current assets or discontinued operations.
- AASB 107 *Statement of Cash Flows*: States that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment did not have an impact on the Group’s statement of cash flows.
- AASB 136 *Impairment of Assets*: The amendment clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in AASB 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.
- AASB Interpretation 17 *Distribution of Non-cash Assets to Owners*: This interpretation provides guidance on accounting for arrangements whereby an entity distributes no-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or the performance of the Group.

The Group has elected not to early adopt any other new Standards or amendments that are issued but not yet effective.

Basis of consolidation

The half year consolidated financial statements comprise the financial statements of Solomon Gold plc and its controlled entities as at 31 December 2010.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 2 OPERATING SEGMENTS

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 AASB 8 *Operating Segments*, 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.

	31 December 2010						
	Finance Income \$	Other Income \$	Result \$	Share Based Payments \$	Depreciation \$	Assets \$	Liabilities \$
Solomon Gold	53,974	-	(846,428)	-	1,474	58,595,164	242,605
Australian Resource Management	170	-	(170,094)	-	23,415	21,732,175	21,914,688
Central Minerals	10	-	(2,266)	-	6,062	188,476	362,014
Acapulco Mining	30	-	(56,977)	-	3,056	2,420,119	48,087
Solomon Operations	9	-	(1,885)	-	-	4,138	57,732
Consolidation/Elimination	-	-	-	-	-	(24,739,026)	(21,714,586)
Total	54,193	-	(1,077,650)	-	34,007	58,201,046	910,540

	31 December 2009					30 June 2010	
	Finance Income \$	Other Income \$	Result \$	Share Based Payments \$	Depreciation \$	Assets \$	Liabilities \$
Solomon Gold	8,834	134,934	(873,106)	143,796	1,045	34,309,186	1,339,581
Australian Resource Management	8,079	351	(21,511)	-	22,580	19,699,749	19,712,169
Central Minerals	-	-	-	-	-	2,854,790	3,026,062
Acapulco Mining	-	-	(346)	-	158	3,412,204	983,195
Solomon Operations	-	-	(19,383)	-	-	34,071	85,781
Consolidation/Elimination	-	-	-	-	-	(26,049,145)	(22,928,614)
Total	16,913	135,285	(914,346)	143,796	23,783	34,260,855	2,218,174

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	31 December 2010 A\$	31 December 2009 A\$
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NOTE 3 EXPENSES

Administration and consulting expenses include

Foreign exchange losses	1,858	23,138
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NOTE 4 LOSS PER SHARE

Calculation of basic and diluted loss per share is in accordance with AASB 133 *Earnings per Share*.

Loss per ordinary share		
Basic loss per share (cents per share)	(0.4)	(1.0)
Diluted loss per share (cents per share)	(0.4)	(1.0)
Net loss used in calculating basic and diluted loss per share	(1,077,650)	(914,346)

	Number	Number
Weighted average number of ordinary share used in the calculation of basic loss per share	245,201,112	93,481,473

The options are non-dilutive as the company is incurring losses.

NOTE 5 CASH AND CASH EQUIVALENTS

	31 December 2010 A\$	30 June 2010 A\$
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For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise the following:

Cash at bank and on hand	19,883,354	219,811
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NOTE 6 INTANGIBLE ASSETS

Intangible assets represent deferred exploration and evaluation costs.

Carrying amount at the beginning of the period	33,406,506	18,021,422
Additions	3,844,177	2,609,189
Additions - business combinations	-	13,343,310
Exploration expenditure written off	(85,379)	(567,415)
Carrying amount at the end of the period	37,165,304	33,406,506

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

NOTE 7 ISSUED CAPITAL

	31 December 2010 A\$	30 June 2010 A\$
a) Issued capital		
Ordinary shares fully paid up	63,459,244	37,133,769
b) Movement in ordinary shares		
At the beginning of the reporting period	37,133,769	21,952,793
Shares issued during the period	27,038,829	15,261,802
Transaction costs on share issue	(1,221,487)	(80,826)
Exercise of share options	508,133	-
At reporting date	63,459,244	37,133,769
c) Movement in number of ordinary shares on issue		
Shares at the beginning of the reporting period	193,266,272	76,231,126
- 8 July 2009 (1)	-	8,310,378
- 17 July 2009 (2)	-	400,000
- 13 November 2009 (3)	-	21,428,571
- 21 December 2009 (4)	-	49,600,000
- 19 February 2010 (5)	-	37,200,000
- 27 April 2010 (6)	-	96,197
- 12 July 2010 (7)	33,089,099	-
- 22 October 2010 (8)	54,017,153	-
- 8 November 2010 (9)	500,000	-
- 23 December 2010 (10)	250,000	-
- 24 December 2010 (11)	650,000	-
Shares at the reporting date	281,772,524	193,266,272

- (1) On 8 July 2009, 8,310,378 \$0.164 ordinary shares were issued for cash pursuant to a share placement.
- (2) On 17 July 2009, 400,000 \$0.178 ordinary shares were issued to an employee as a bonus payment.
- (3) On 13 November 2009, 21,428,571 \$0.14 ordinary shares were issued for cash pursuant to a share placement.
- (4) On 21 December 2009, 49,600,000 \$0.123 ordinary shares were issued to the vendors of Acapulco Mining Pty Ltd as consideration for a scrip based acquisition.
- (5) On 19 February 2010, 37,200,000 \$0.126 ordinary shares were issued to the vendors of Central Minerals Pty Ltd as consideration for a scrip based acquisition.
- (6) On 27 April 2010, 96,197 \$0.13 ordinary shares were issued to a vendor as part consideration for services received.
- (7) On 12 July 2010, 33,089,099 \$0.086 ordinary shares were issued for cash pursuant to a share placement.
- (8) On 22 October 2010, 54,017,153 \$0.448 ordinary shares were issued for cash pursuant to a share placement.
- (9) On 8 November 2010, 500,000 \$0.322 options expiring on 8/11/10 were exercised into ordinary shares for cash.
- (10) On 23 December 2010, 250,000 \$0.384 options expiring on 31/12/10 were exercised into ordinary shares for cash.
- (11) On 24 December 2010, 650,000 \$0.389 options expiring on 31/12/10 were exercised into ordinary shares for cash.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

NOTE 8 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 \$119,861 (2009: \$78,011) 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 \$33,195 (2009: \$46,587)
- (ii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim Lawyers. Hopgood Ganim were paid \$106,769 (2009: \$184,845) 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 \$72,796 (2009: \$52,077).

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

There are no significant changes to commitments and contingencies disclosed in the most recent annual financial report.

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes thereto comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 '*Interim Financial Reporting*', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5) of the *Corporations Act 2001*.

On behalf of the directors



Nick Mather
Director
Brisbane
18 March 2011



Chartered Accountants
& Business Advisers

Auditor's Independence Declaration

As lead auditor for the review of Solomon Gold plc for the half year ended 31 December 2010, I declare that to the best of my knowledge and belief there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Solomon Gold plc and the entities it controlled during the half year.

PKF

Albert Loots
Partner

Dated at Brisbane this 15th day of March 2011

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Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Solomon Gold plc

Report on the Half-Year Financial Report

We have reviewed the accompanying consolidated half-year financial report of Solomon Gold plc which comprises the consolidated statement of financial position as at 31 December 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises Solomon Gold plc and the entities it controlled at 31 December 2010 or from time to time during the half-year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Solomon Gold plc, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Solomon Gold plc, would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the consolidated entity is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

**PKF****Albert Loots**
Partner

Dated this 18th day of March 2011
Brisbane