SolGold

(formerly Solomon Gold plc)

# Annual Report

# For the year ended 30 June 2012

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## CORPORATE INFORMATION

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## CHAIRMAN'S STATEMENT

Dear Fellow Shareholder,

On behalf of the Board of Directors of SolGold, I take pleasure in presenting the Annual Report for 2012.

Your company has re-focused its exploration initiatives, in what proved to be a challenging environment. In many ways, it was a watershed year in the history of your Company. Rationalization and change were recurring themes. Malcolm Norris was appointed Chief Executive Officer in October 2011, following Nick Mather's decision to retire from his management role. Malcolm has brought new ideas and opportunities to the company whilst Nick continues to provide valuable input as an Executive Director on the Board. Additionally, we welcomed Dr Bruce Rohrlach as our Chief Geologist and Mr Damien Lulofs as Exploration Manager, to assist in the Company's global search for new gold-copper opportunities. I believe that through our executives and consultants, we have the right team to succeed in our endeavours to build a gold-copper discovery company. Our aim is to advance a portfolio of exploration assets and deliver shareholder growth through the discovery of gold and copper deposits.

In April, we announced the first of our initiatives by securing a major interest in the Cascabel Project in Northern Ecuador. Cascabel presents a high-quality early stage gold-copper porphyry opportunity. The Cascabel project is located within the Andean western cordillera, host to numerous Tier 1 world class copper-gold deposits including the giant La Colosa gold porphyry system (24Mozs gold in resources). The Cascabel project area contains coincident copper and gold anomalism in soil and rock chip sampling, and contains highly prospective geology and alteration that exhibits porphyry mineralization affinities on a scale that could accommodate a large discovery. Integration of all datasets identifies a very compelling, large gold-copper target. Gold and copper mineralization (ranging up to 3% copper and 5.9g/t gold) associated with potassic alteration of dioritic intrusions has been mapped over an area of at least 3km x 2km, and is the immediate gold-copper porphyry target. SolGold has the ability to earn an 85% interest in the property through funding exploration activities and making placements in the JV partner company Cornerstone Capital resources. SolGold is directing the exploration program and is optimistic that the project will deliver positive results.

We, like our Joint Venture Partner (and Project Manager), Newmont Mining Corporation, have been disappointed with the meager progress of our exploration activities on Guadalcanal Island (in the Solomon Islands). However, despite this setback, in February we announced the acquisition of Honiara Holdings Pty. Ltd which holds projects of interest. Early stage exploration has been completed and has returned some encouraging gold geochemical and geological results. We continue to believe there are significant opportunities for the discovery of a major gold copper porphyry system in the Solomon Islands and plan further follow up work to define drill targets at our highly prospective tenements.

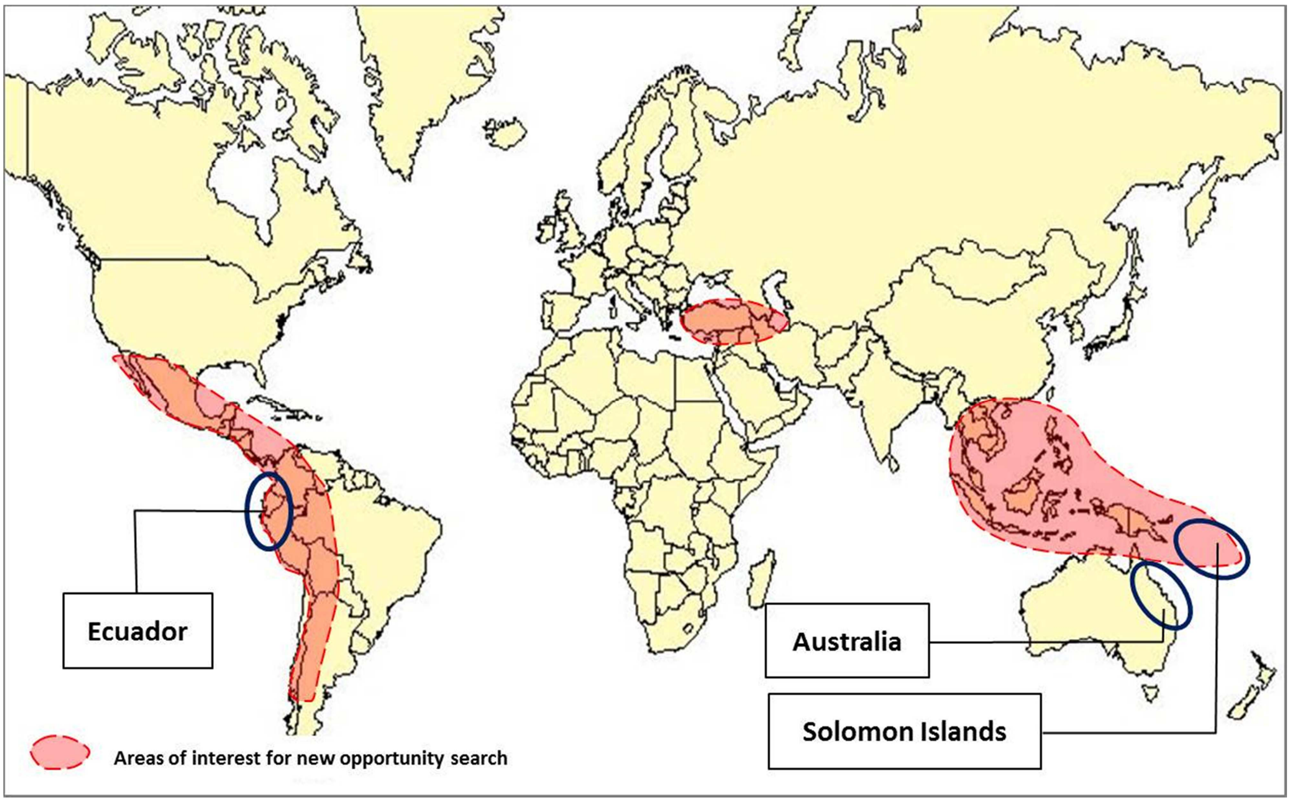
At the 100% owned Rannes gold-silver project in Queensland, SolGold is advancing exploration to build upon the existing resource estimate, and to target zones of higher gold and silver grade. Currently the project contains 296,700 ounces of gold and 10,139,000 ounces of silver in Indicated (34%) and Inferred (66%) resources. Our exploration program is aimed at strengthening the geological model, completing extensive soil sampling programs, completing 3-D Induced Polarisation ('IP') surveys, and generating robust drill targets.

SolGold has a number of other smaller projects in its portfolio and these are either being advanced or joint ventured. SolGold continues to receive proposals to participate in new projects and some are presently being assessed. If any of these proposals represent a high quality gold-copper opportunity, they will be pursued vigorously.

On behalf of the Board, I would like to thank you for your support of the Company and I look forward to bringing you further news as our exploration efforts continue.

Cameron Wenck

**OPERATIONS REPORT**




**Company and Project Summary**

***History and Company Profile***

SolGold plc ("SolGold" or the "Company") was admitted to trading on the AIM Board (AIM Code: SOLG) of the London Stock Exchange on 10 February 2006 after completing a £5million capital raising. SolGold's original exploration projects were located in the Solomon Islands. SolGold has subsequently broadened its exploration portfolio to include gold and gold-copper projects in Australia and in Ecuador. The discovery of a world class gold-copper deposit in the main gold-copper belts of the world remains a major focus for the Company. In addition, the Company has exposure to gold and gold-silver exploration at the Rannes, Mount Perry ("Mt Perry"), and Normanby Projects in Queensland, Australia.

The Cascabel gold-copper property in northern Ecuador is subject to a Joint Venture between SolGold and Cornerstone Capital Resources Inc. which was signed in April 2012 through a Letter of Intent, and then in July 2012 with a Definitive Agreement. SolGold may acquire up to 85% of the project by funding exploration and making placements in Cornerstone. The property is located approximately 120 km north of Ecuador's capital city of Quito and within the Andean western cordillera which hosts numerous Tier 1 gold-copper deposits through Chile, Peru, Ecuador and Colombia. Tier 1 deposits in the region include the Junin porphyry copper-molybdenum deposit (982Mt at 0.89% copper) located just 70km SSW of the Cascabel property, and the La Colosa porphyry gold deposit (468Mt at 0.86 g/t gold) in Colombia. The Cascabel project area contains coincident copper and gold anomalism in stream sediment and rock chip sampling, and contains highly prospective geology and alteration that exhibits porphyry gold-copper mineralization affinities across a scale that is appropriate for large discoveries.

In late 2009 and early 2010, the Company acquired two Queensland based exploration companies. The acquisition of Acapulco Mining Pty Ltd ("Acapulco") was completed in late 2009 and Central Minerals Pty Ltd ("Central") in early 2010. The acquisitions reflected a strategy to become an integrated gold explorer, developer and miner in environments ranging from high risk reward situations (such as the Solomon Islands) to lower risk, more advanced projects proceeding to resource definition in Queensland. Acapulco includes the Mt Perry and Normanby Projects, whilst Central includes the Rannes, Cracow West, Auburn and Clermont Projects all 100% owned and operated by SolGold.

The acquisition of Acapulco and Central de-risked and diversified the Company's asset base with the addition of the Australian gold projects at Rannes situated near to Evolution Mining's ('Evolution') Cracow gold mine (1Moz Resource) and Mt Perry located adjacent to the Mt Rawdon gold mine (1Moz Resource), also owned and operated by Evolution Mining. Rannes and Mt Perry provide targets for the discovery of significant gold, and gold-silver, resources in bulk disseminated and vein type gold and silver systems. Exploration drilling at the Rannes Project has resulted, as of 30 June 2012, in a total Indicated and Inferred resource estimate of 18.7Mt at 0.5g/t gold and 16.9g/t silver (0.9g/t gold equivalent based on a gold to silver ratio of 1: 40 and a 0.35g/t gold equivalent cut-off grade) for 550,000oz of contained gold equivalent (296,700oz gold and 10.14Moz silver).

Multiple exploration targets have been identified within the Rannes Project area, of which eight prospects (Crunchie, Kauffmans-Homestead, Brother, Shilo, Cracklin Rosie, Spring Creek, Police Camp Creek and Porcupine) have been subject to at least some drilling by SolGold and previous explorers, with potentially economic intersections in all eight. During 2011-12 significant project scale exploration has been completed and has identified additional target areas, some of which have not been previously explored.

At the time of listing in 2006 SolGold held four tenements in the Solomon Islands - Mbetilonga, Sutakiki, Central Guadalcanal and Koloula - collectively referred to as the Guadalcanal tenements. Additionally, Kuma was granted in November 2006 (it was an application at the time of listing) and became part of the Guadalcanal tenements. The Florida tenement was granted in September 2007. The Fauro tenement was granted in November 2009.

On 5 March 2009, SolGold entered into a joint venture agreement whereby Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation ('Newmont') (NYE: NEM), one of the world's largest gold companies, committed to an exploration expenditure program of up to US$12million over five-years (31 March 2014) to earn up to a 70% interest in the Guadalcanal Joint Venture ("GJV"), including expenditure of US$6million by 31 March 2012 in order to have a 51% legal and beneficial interest in the GJV. The GJV comprises the Company's Guadalcanal tenements, Mbetilonga, Sutakiki, Central Guadalcanal, Koloula and Kuma. In 2012 Newmont advised that they would cease funding the GJV and resign as manager. Newmont had met the earn-in expenditure commitments and, as a consequence of SolGold electing to not fund the 2012 exploration program, Newmont's interest in the GJV stands at 74% and SolGold's at 26%. Newmont's cessation of funding resulted in Newmont and SolGold agreeing to seek expressions of interest for the joint sale of 100% of the GJV. That process is on-going.

SolGold's tenements in the Solomon Islands are held in wholly owned subsidiary Australian Resource Management (ARM) Pty Ltd ("ARM"), and in wholly owned subsidiary Honiara Holdings Pty. Ltd.

The Company has a corporate office in Brisbane, Australia, a small exploration base at Gympie in south-east Queensland, Australia, and an exploration and administration office in Honiara, Solomon Islands.

The Company's structure is summarised in Figure 1, and Table 1 summarises SolGold's Exploration Projects. Figure 2 shows the location of the Cascabel Project, Figure 3 shows the location of the Queensland tenements, and Figure 4 the location of the Solomon Island tenements.

***Corporate Objectives***

The overall objective of the Company is to create shareholder value through the discovery, development and production of world-class mineral deposits including but not limited to copper, gold and silver, with a key focus in the main gold-copper belts of the world and in Queensland, Australia.

To facilitate achievement of this objective the Company will:

- Target large gold-copper opportunities in the main gold-copper belts of the world such as the SE Asia – Pacific belt (represented by exposure to the Solomon Islands), and the South American Andean belt (represented by exposure to Ecuador).
- Target at least 1Moz to 2Moz targets at the Rannes Project in Queensland, Australia.
- Adopt a disciplined and systematic approach to exploration.
- Seek to maximise in-ground expenditure as a proportion of the total budget.
- Secure additional exploration projects by new tenements and/or farm-in agreements.
- Continue to review '*value accretive*' opportunities that are presented.

SolGold aims to deliver, over the next five years, on its strategy to become an integrated gold, copper, and silver explorer, developer and miner.

SolGold has a commitment to Corporate Social Responsibility and has active community programs in its areas of exploration. SolGold also has a commitment to environmental responsibility and undertakes, as appropriate, environmental baseline studies and rehabilitation programs as part of its exploration programs.

***Exploration Strategy***

The Company's strategy is to become an integrated gold-copper-silver explorer, and ultimately developer and miner in the main gold-copper belts of the world, and in Queensland, Australia.

The company's detailed exploration strategy includes the following elements:

- Due diligence of potential opportunities.
- A disciplined approach to pre-drilling exploration activity which may include techniques such as geological mapping, soil geochemistry, and geophysics.
- Well targeted drilling to test, in the third dimension, highly rated drilling targets based on integration of exploration datasets.
- Drilling to define economic resources.

SolGold has proven expertise both in management and board levels to discover, develop and produce gold, copper, silver and any other associated value adding mineral.

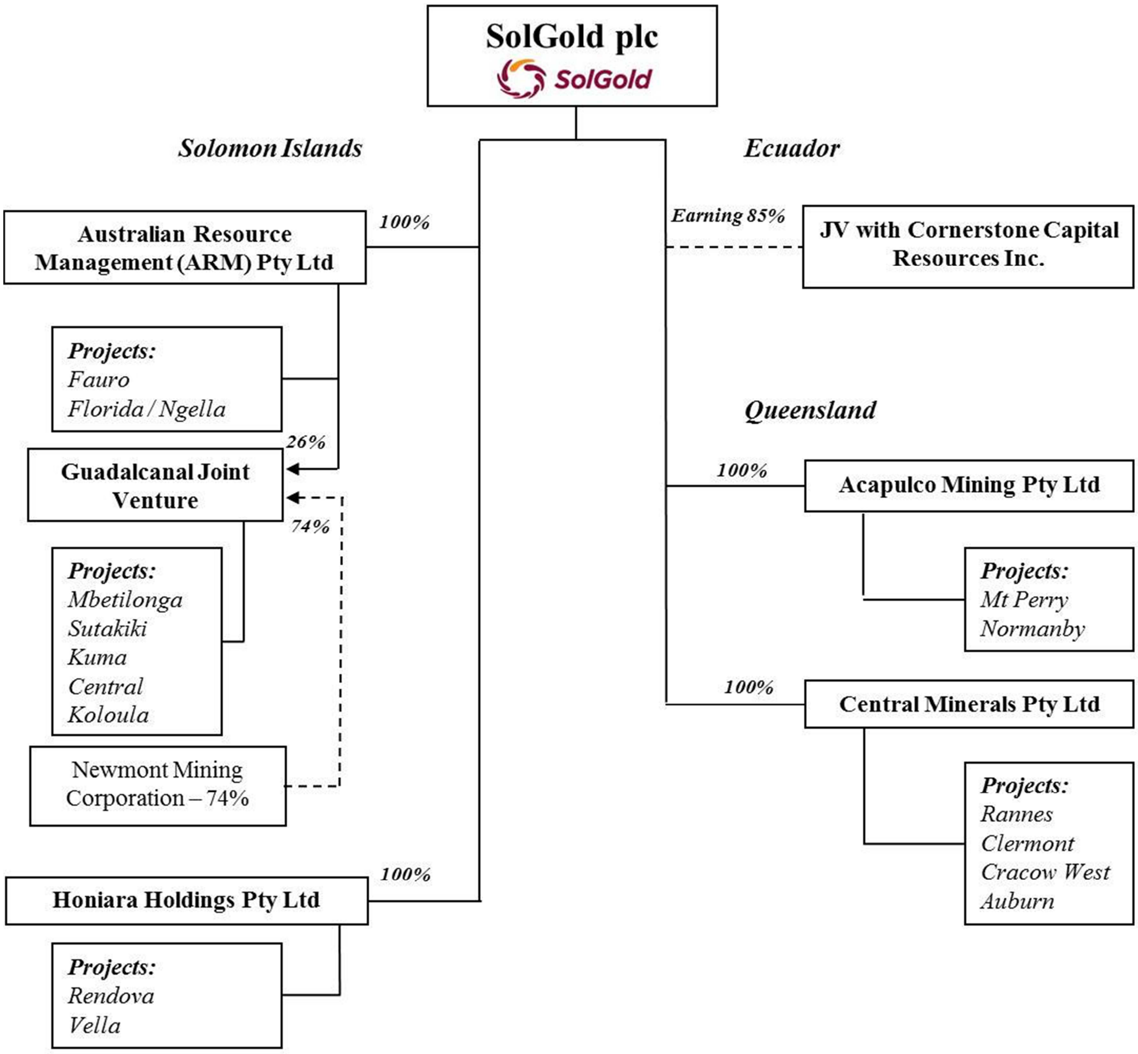



**Figure 1:** SolGold Corporate Structure

**Table 1:** SolGold Exploration Projects

| Project | Location | Style | Ownership |
|---|---|---|---|
| **Cascabel JV** | Ecuador | Gold Copper Porphyry | JV, SolGold earning in |
| **Rannes** | Queensland, Australia | Disseminated and Vein Gold | 100% owned |
| **Mt Perry** | Queensland, Australia | Porphyry and Vein Gold | 100% owned |
| **Normanby** | Queensland, Australia | Gold Copper Porphyry | 100% owned |
| **Cracow West** | Queensland, Australia | Epithermal Gold | 100% owned |
| **Fauro** | Solomon Islands | Epithermal Gold and Gold Copper Porphyry | 100% owned |
| **Florida / Ngella** | Solomon Islands | Laterite Nickel | 100% owned |
| **Guadalcanal JV** | Solomon Islands | Copper Gold Porphyry | SolGold 26%/Newmont 74% |

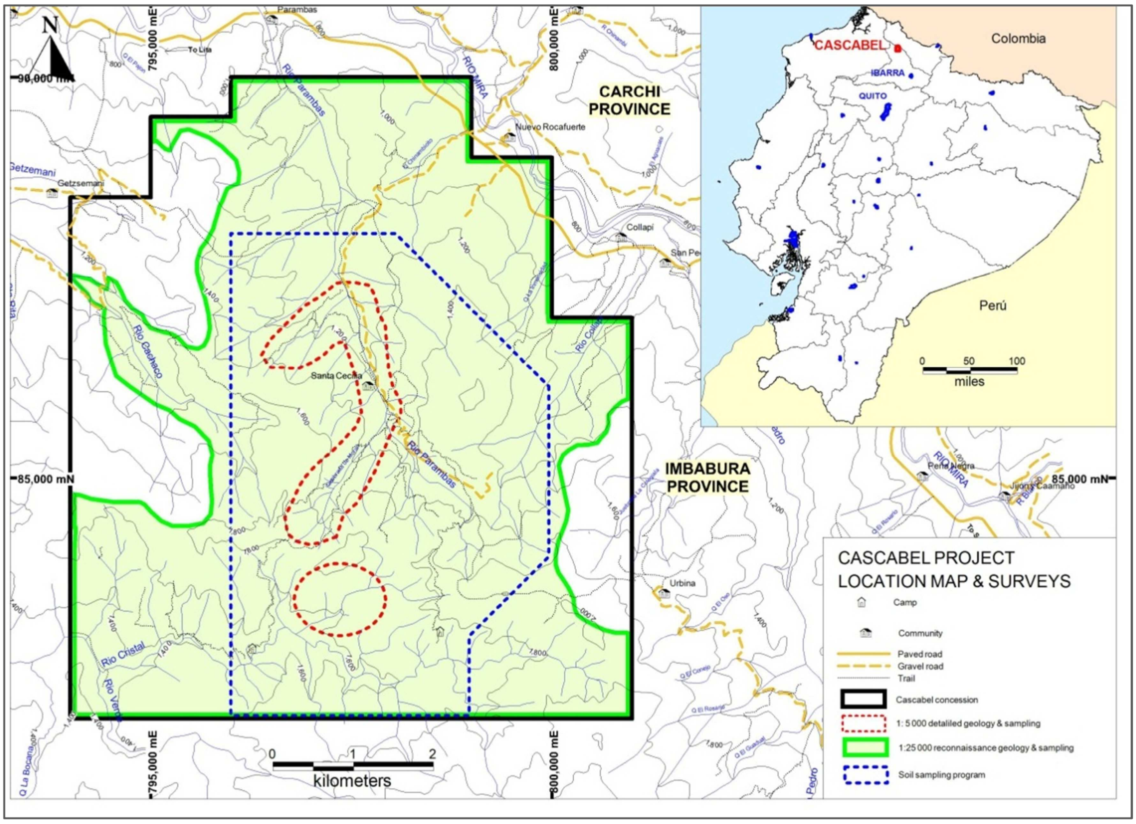



**Figure 2:** Location of the Cascabel Project

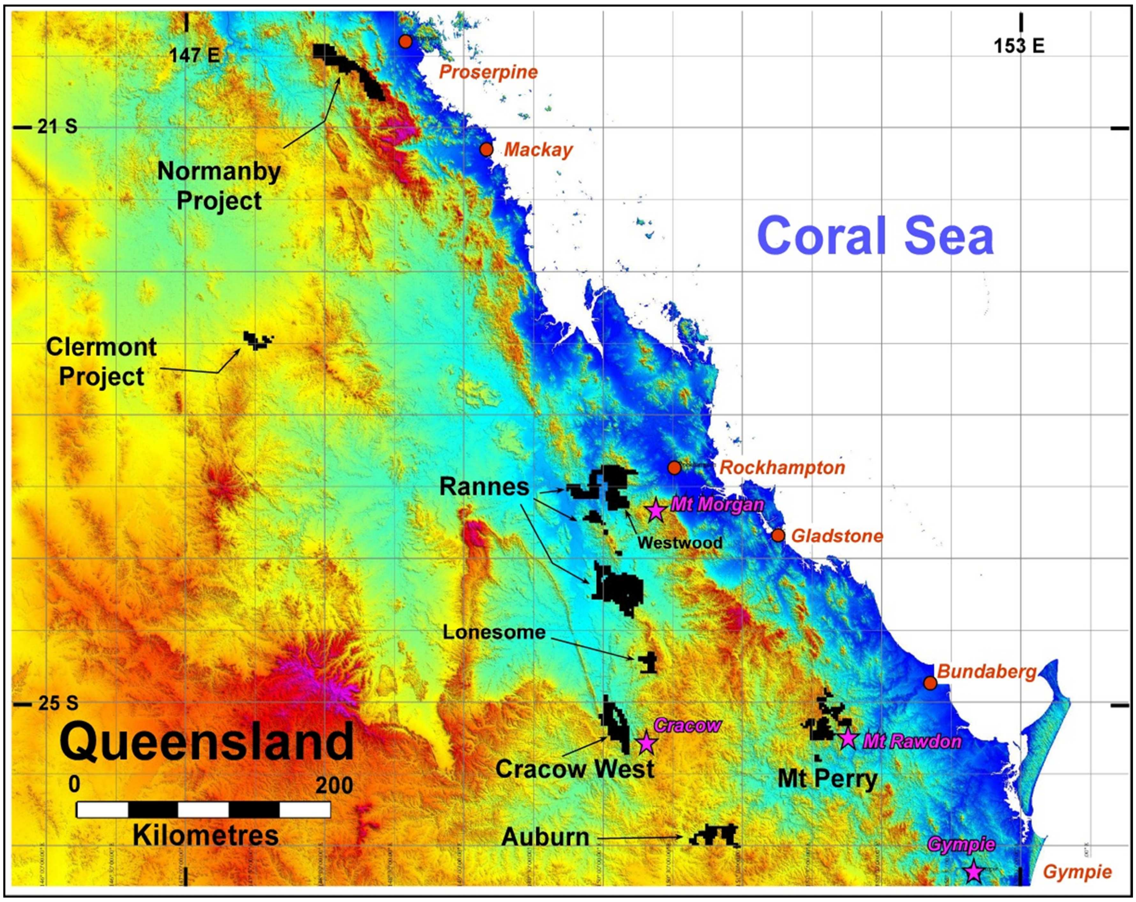



**Figure 3:** Location of the Queensland Projects

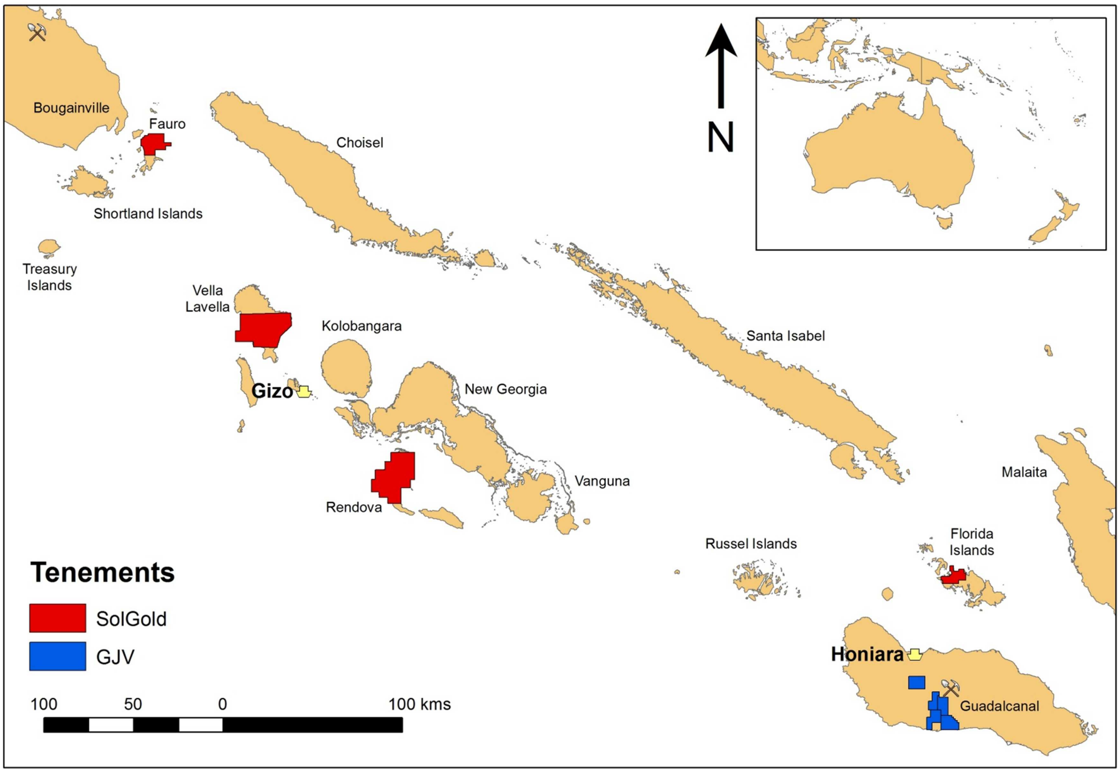



**Figure 4:** Location of the Solomon Island Projects

**Project Summary**

***Cascabel Project***

| | |
|---|---|
| *Location* | *: 120km north of the capital city Quito, Ecuador* |
| *Ownership* | *: SolGold can earn up to 85%* |
| *Tenement Area* | *: 50km$^2$* |
| *Primary Targets* | *: Gold Copper Porphyry* |

The Cascabel concession is geographically located in north central Ecuador in the province of Imbabura, situated 120 km north of the capital city of Quito and 24 km west southwest of the city of Tulcan that is located on the border of Ecuador with Colombia. The area is rugged with steep sided hills at elevations of 1,000 m to 2,000 m. Climate is tropical – savannah and vegetation is tropical forest with a well-developed soil horizon. A first order paved highway provides year round access and crosses the NE corner of the concession. A gravel road in good condition provides access to the village of Santa Cecilia located in the centre of the concession

The Cascabel concession contains an early stage exploration prospect that indicates the potential for a large tonnage gold-copper porphyry system. The geology of the Cascabel region has similarities to the Maricunga Belt in Chile and to the recently recognised gold porphyry belt in west – central Columbia centred on the recently discovered La Colosa gold porphyry. These porphyry systems are Miocene age and are associated with diorite and quartz diorite stocks with porphyritic textures.

The project is located in the Cordillera Occidental of the Ecuadorian Andes, within a NNE trending structural zone parallel to the principal fault Pallatanga situated along the eastern margin. Basement rocks consist of ocean floor basalts and sediments of Cretaceous age. High-level batholiths of Miocene age and associated granite, granodiorite and diorite bodies of Late Miocene age intrude Cretaceous – Tertiary age volcanic and sedimentary rocks. Upper Miocene age stocks are associated with the principal porphyry and epithermal deposits located in the district.

Early regional mineral exploration surveys in Ecuador were funded by government agencies and consisted of geological mapping, rock and sediment sampling. The World Bank supported Prodeminca, a non-profit mineral exploration organisation setup by Ecuador in 1988 to attract foreign investment into the mining sector. The British Geological Survey funded regional surveys during the 1970’s and 1980’s to provide the geological framework to identify potential areas of mineralisation worthy of more detailed evaluation. The early stream sediment surveys highlighted a number of gold-copper anomalies including the Cascabel area.

The early survey work led to the discovery of several porphyry deposits, of which the most significant is the giant Junin copper-molybdenum porphyry. Junin is located approximately 70 km SSW of Cascabel, and has a reported inferred tonnage of 982 Mt at a grade of 0.89 % copper and 0.04 % molybdenum. It is hosted by quartz granodiorite porphyry of late Miocene age, which intrudes the Apuela batholith. Mineralisation consists mainly of bornite, chalcopyrite and molybdenite as disseminations and associated with quartz veins and quartz stockworks related to phyllic – potassic hydrothermal alteration.

The first documented report of work at Cascabel was carried out by Santa Barbara Copper and Gold SA during 2008. Stream sediment surveys and prospecting indicated the presence of a gold / copper porphyry system. Cornerstone Ecuador SA carried out prospecting, regional geological mapping and a heavy mineral stream sediment survey during June and July 2011 with the discovery of numerous gold mineralised zones. A 4km by 5km area is highlighted for follow-up work.

On the 24th July 2012, SolGold PLC entered into a definitive option agreement with Cornerstone Capital Resources Inc. to acquire up to an 85% interest in the Cascabel gold-copper property in Ecuador. Exploration survey work was initiated by Cornerstone during May 2012 under the proposed terms of the option agreement with SolGold and continued through September 2012. Regional survey work includes stream sediment sampling and geological mapping to complete reconnaissance coverage throughout the concession. Detailed work is on-going and is focused on the principal porphyry gold-copper target area in the central part of the concession. Survey work includes trenching, geological mapping at a scale of 1:1000 and rock channel sampling. A soil survey is being carried out on the central part of the concession on a 100m by 200m grid.

The initial exploration program completed reconnaissance scale geological mapping, prospecting and stream sediment sampling coverage of the Cascabel concession and defined with more detail the principal target area located on the central part of the concession. The three principal areas of interest are 1) Quebrada Moran, a 1 km zone of potassic alteration with porphyry related quartz-pyrite-chalcopyrite +/- bornite veins and high-gold polymetallic veins 2) Quebrada Alpala with grey silica altered sediments and intrusives and some free gold observed located within a zone of argillic alteration, and 3) Cachaco Zone characterised by silica-pyrite altered sub-vertical structures.

Gold and copper results are presented for rocks and stream sediment with geology on the two maps below (Figures 5a and 5b).

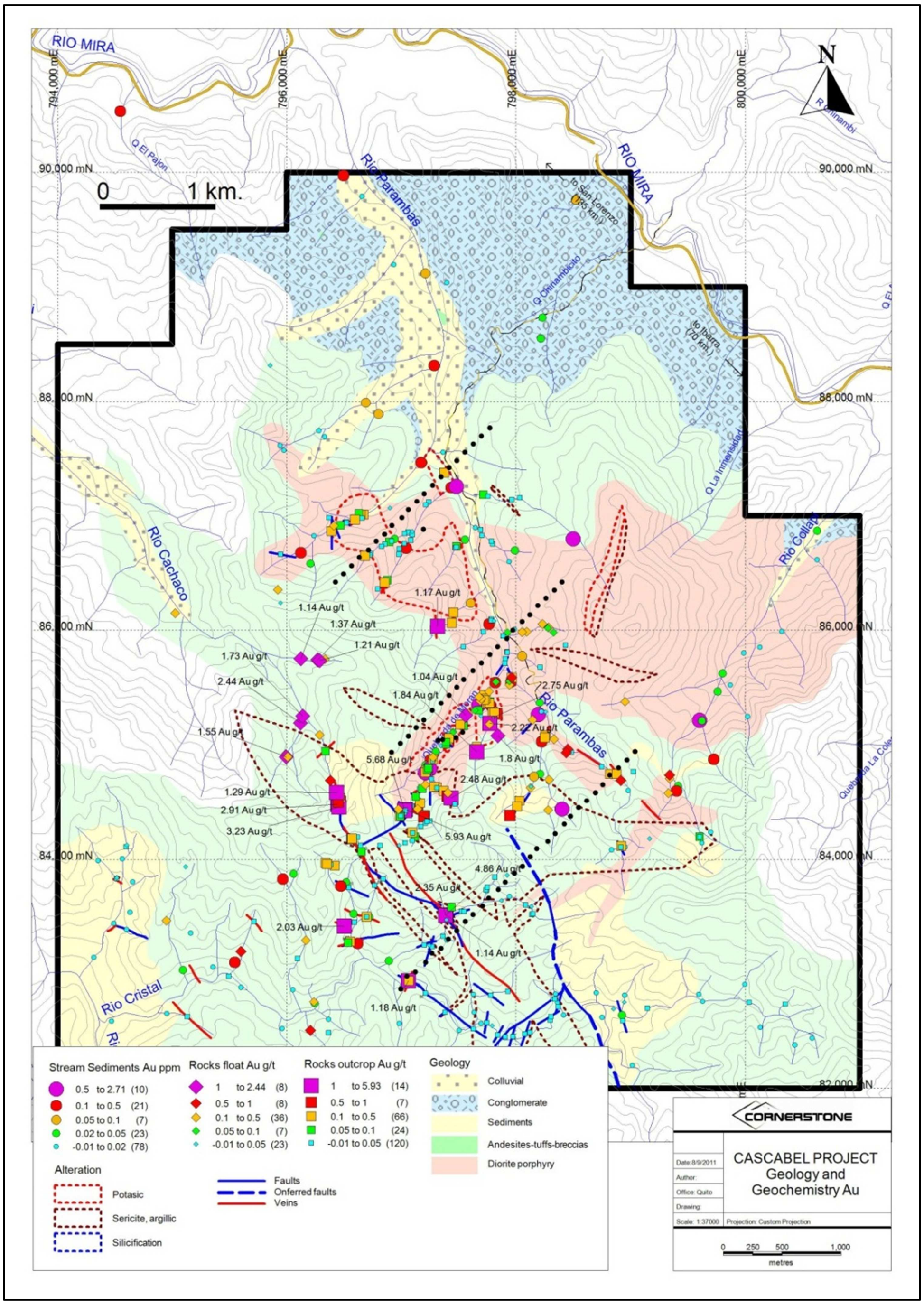


**Figure 5a:** Cascabel gold geochemistry

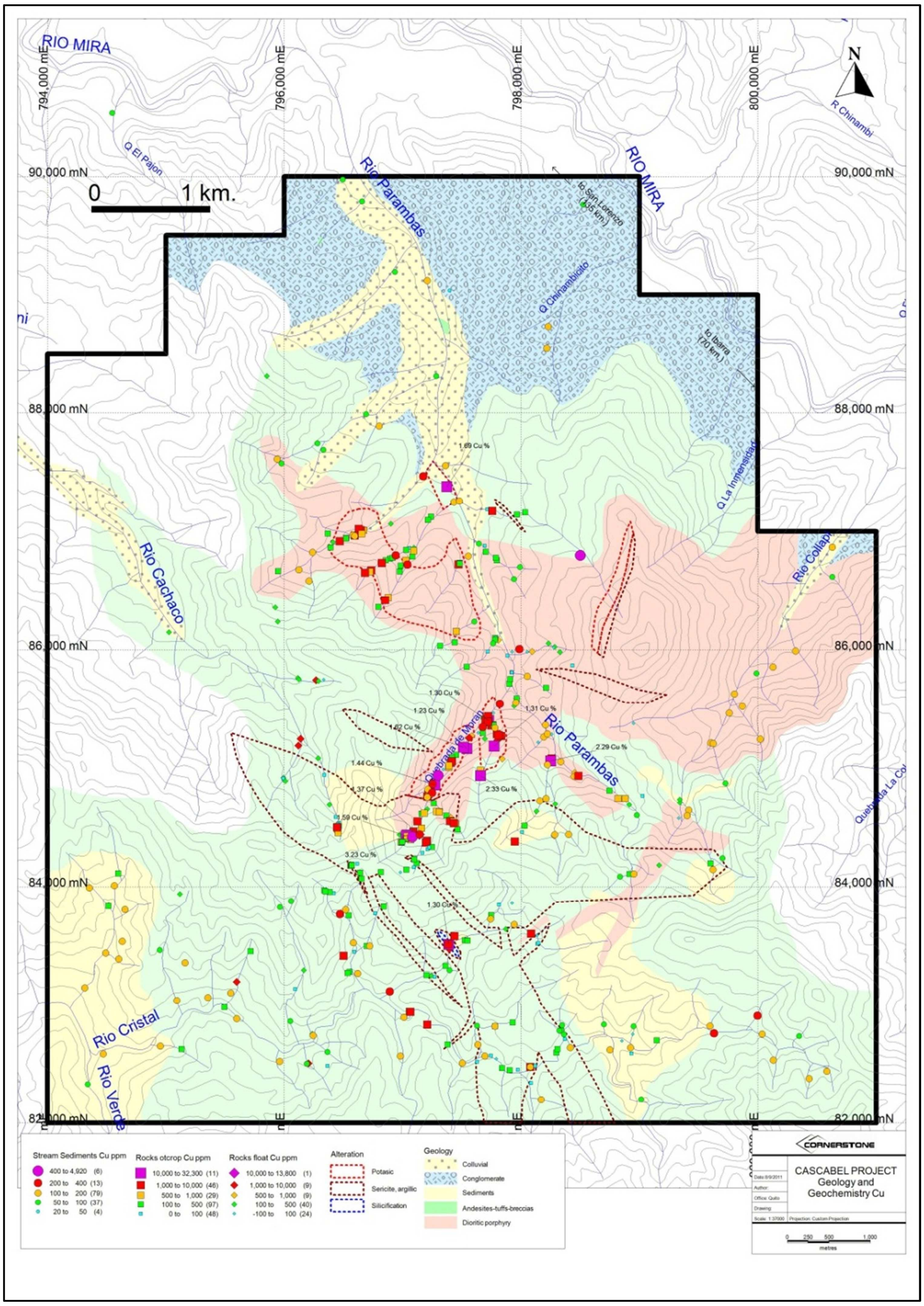



**Figure 5b:** Cascabel copper geochemistry

An orientation soil survey was carried out to determine the optimum soil horizon and sample spacing to be used for a soil geochemical survey at Cascabel. Based on the results of the orientation survey a soil grid with 4 km by 5 km coverage was initiated over the principal target area. The grid utilizes a sample spacing of 100m along 200m spaced lines oriented at 045 degrees, orthogonal to the main structural trend. Soil samples are collected from the basal C-horizon and site information including the amount of relief is collected to assist in interpretation of results. Approximately 1,000 sample locations are proposed. The survey is in progress and interpretation of the results will be carried out once the soil survey is complete.

Aerial photographic data has been acquired and a DEM (digital elevation model) has been generated over the Cascabel concession.

A detailed helicopter-borne magnetic and radiometric survey is planned for the Cascabel concession and is due to commence in late October.

Environmental and social management programs have been initiated. Local concerns regarding mining and exploration relate primarily to issues of water use and management. The Cascabel property is situated within the boundaries of three communities. The main community of Santa Cecilia located in the central part of the concession is very supportive. Cornerstone is building strong community relations with the three main communities at Cascabel

***Rannes Project***

| | |
|---|---|
| *Location* | *: 140km west of Gladstone, Queensland, Australia* |
| *Ownership* | *: 100% owned* |
| *Tenement Area* | *: 380 granted sub-blocks (circa 1,140km$^2$) and 373 application sub-blocks (circa 1,119km$^2$ including consolidation areas).* |
| *Primary Targets* | *: Disseminated and vein gold and silver* |

The 100% owned Rannes Project is located 140km west of Gladstone, Queensland, Australia (see Figure 3).

At the Rannes Project, mineralisation has been identified and substantiated with drilling and occurs along a 25km long belt on the eastern faulted edge of the coal rich Bowen Basin, in an environment favourable for the emplacement of structurally controlled mineralisation.

On the 7 June 2010, SolGold announced a Maiden Inferred Mineral Resource at Crunchie. The estimate was 5.6Mt at 1.12g/t equivalent gold for 201,648oz of contained equivalent gold (79,219oz gold and 7,921,883oz silver), based on a gold to silver ratio of 1:65 and a 0.20g/t equivalent gold minimum cut-off grade. On the 28 February 2011, SolGold announced a Maiden Inferred Resource at the Kauffmans-Homestead Prospect. The Estimate was 7.7Mt at 0.82g/t gold equivalent for 202,998oz of contained equivalent gold (168,340koz gold and 2.23Moz silver), based on a gold to silver ratio of 1:59 and a 0.35g/t gold equivalent cut-off grade.

The focus of exploration during 2011-12 has been on multiple fronts. A significant component was to develop the geological model for both the Kauffmans and Crunchie prospects to enable a more predictive exploration model. This has progressed well and the improved model has allowed for more confident resource classification categories, and to develop new drill targets to be tested in late 2012 – early 2013. Significant work has also been done on semi-regional exploration with increased coverage of soil geochemistry programs, geological mapping, and 3-D geophysical coverage.

On 23 May 2012, SolGold announced an updated Indicated and Inferred resource estimate of 18.7 million tonnes at 0.5g/t gold and 16.9g/t silver (0.9g/t gold equivalent for 550,000 gold equivalent ounces), in the Indicated (34%) and Inferred (66%) categories. Total contained metal is 296,700 ounces of gold and 10,139,000 ounces of silver.

The resource estimate at the Kaufmanns prospect is 8.5Mt at 0.56g/t gold and 7.6g/t silver (0.75g/t gold equivalent) for 153,900 ounces of gold and 2,078,000 ounces of silver. The resource estimate at the Crunchie prospect is 6.1Mt at 0.44g/t gold and 38.8 g/t silver (1.42g/t gold equivalent) for 87,000 ounces of gold and 7,577,000 ounces of silver.

These estimates are based on a gold to silver ratio of 1:40 and a 0.3g/t gold equivalent cut-off grade.

Mineral resources estimates were completed by Hellman & Schofield Pty Ltd, and by H&S Consulting Pty. Ltd., independent geological consultancies. The most recent resource estimate includes resources in both Indicated and Inferred categories for reporting under the JORC Code for Reporting of Mineral Resources and Ore Reserves.

Table 2 shows the Resource estimate as of 23 May 2012 for the individual prospects, Crunchie and Kauffmans, as well as the Company's total Inferred Resource estimate at various gold to silver ratio's (40 and 50) and gold equivalent cut-off grades of 0.3 and 0.5.

The current exploration program is focussing on developing drill targets that address three key exploration targets –

1. Target and intersect higher grade gold mineralisation
2. Target and intersect extensions to the current resources (expand the resource in nearby areas)
3. Target and intersect new gold and silver bearing systems that will increase the overall resource inventory

The most recent drilling at the Kauffmans prospect was designed to test for mineralisation outside of the current resource block model by targeting extensions at depth, and lateral to the resource block model. The program was also targeting higher grade zones and delivered on this objective. This included intersections in hole KAU147 which intersected higher grade zones, returning 2m @ 4.15g/t Au and 23.8g/t Ag and 2m @ 6.75g/t Au and 27.3g/t Ag, within a broad mineralised interval of 38m @ 1.1g/t Au and 7g/t Ag. The current geological model suggests that this is a separate lode to that reported in KAU139, which also intersected higher than average gold grades in the deeper parts of the vein structure in three lodes - 2.2m at 2.36g/t Au, 2m at 3.03g/t Au and 2m at 3.84g/t Au.

Five known and closely clustered prospects (see Figure 7); Crunchie (including El-Dente and Mushy), Kauffmans, Shilo, Cracklin Rosie, and Porcupine collectively referred to as “Central Rannes”, as well as Brother, Spring Creek, Police Camp Creek to the south-east, have been drilled to date, with results which show long intersections of potentially economic gold and silver mineralisation. A detailed airborne magnetic survey has been flown and recently re-interpreted to enhance the structural model development of the belt. Data integration is continuing with increased coverage of soil geochemistry, 3-D IP (Induced Polarisation) coverage, geological mapping, and trenching all contributing to additional drill targets being defined at several prospects. New prospects have been identified at Woolein and Bojangles (figure 7). These have not yet been drilled.

The goal is to increase the resource base to a level that justifies the commencement of feasibility studies.

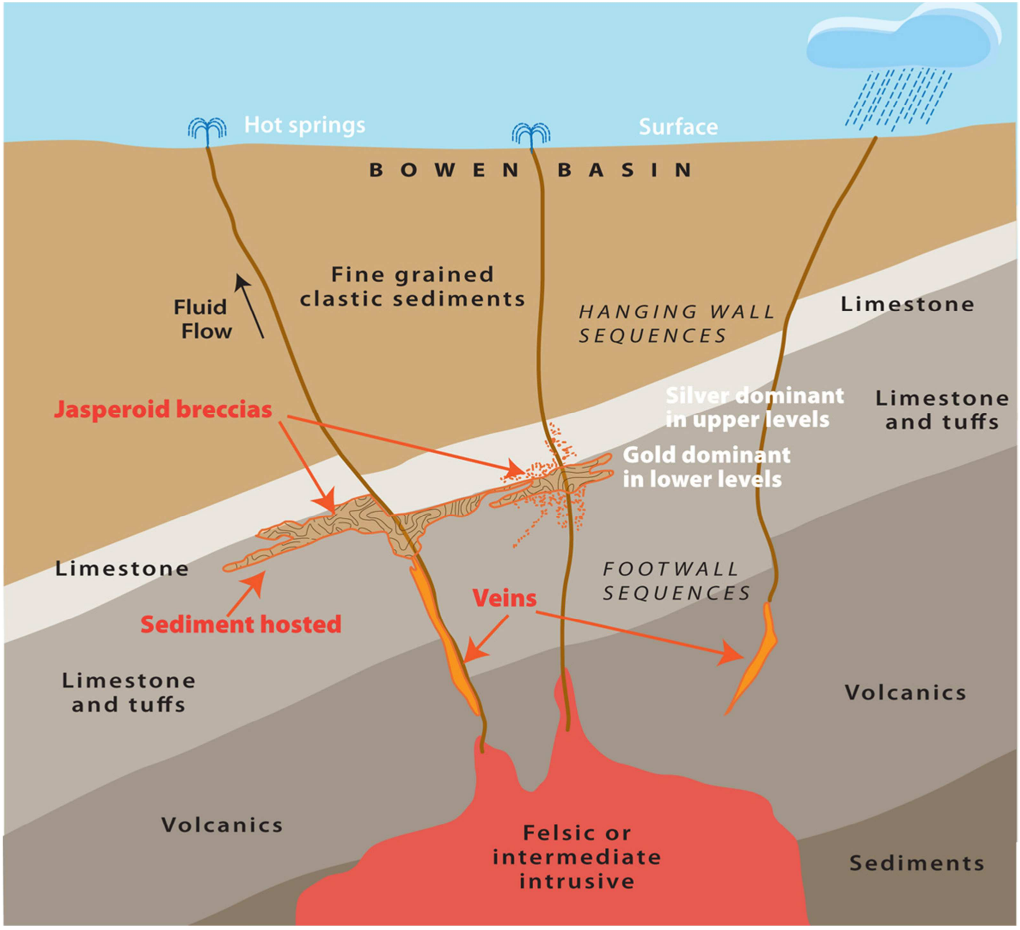



**Figure 6:** Rannes schematic exploration model

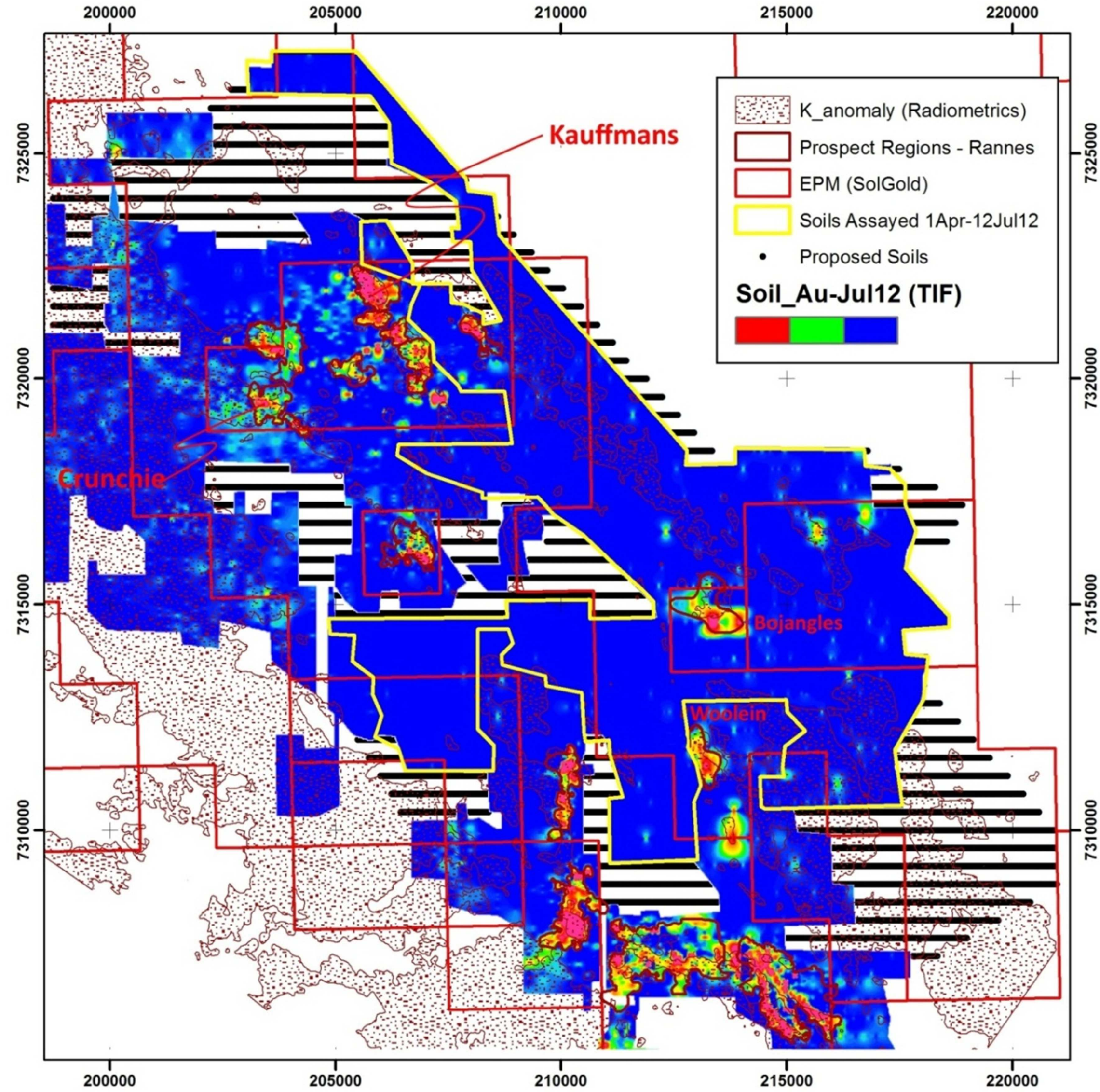



**Figure 7:** *Rannes prospects (over potassium radiometric anomalies on gold soil anomalies)*

**Table 2:** *SolGold Inferred Resource Estimate (as at 23 May 2012)*

| Kauffmans Updated Resource Estimates | | Au Equiv = Au g/t + (Ag g/t * 0.025) 40:1 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| AuEq Cut off | Category | M Tonnes | Au g/t | Ag g/t | AuEq g/t | Au ozs | Ag ozs | AuEq ozs |
| 0.3 | Indicated | 2.33 | 0.63 | 8.6 | 0.84 | 47,120 | 642,022 | 63,150 |
| | Inferred | 6.15 | 0.54 | 7.3 | 0.72 | 106,823 | 1,435,787 | 142,638 |
| | **Total** | **8.48** | **0.56** | **7.6** | **0.75** | **153,943** | **2,077,808** | **205,788** |
| | | | | | | | | |
| 0.5 | Indicated | 1.66 | 0.77 | 10.1 | 1.03 | 41,186 | 539,640 | 54,667 |
| | Inferred | 3.77 | 0.71 | 8.8 | 0.93 | 86,019 | 1,065,428 | 112,676 |
| | **Total** | **5.43** | **0.73** | **9.2** | **0.96** | **127,205** | **1,605,068** | **167,343** |
| | | | | | | | | |
| **Kauffmans Updated Resource Estimates** | | **Au Equiv = Au g/t + (Ag g/t * 0.020) 50:1** | | | | | | |
| **AuEq Cut off** | **Category** | **M Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | Indicated | 2.26 | 0.64 | 8.7 | 0.82 | 46,618 | 632,140 | 59,259 |
| | Inferred | 5.88 | 0.56 | 7.4 | 0.7 | 105,041 | 1,396,380 | 132,989 |
| | **Total** | **8.13** | **0.58** | **7.8** | **0.73** | **151,659** | **2,028,519** | **192,249** |
| | | | | | | | | |
| 0.5 | Indicated | 1.58 | 0.79 | 10.3 | 1 | 40,304 | 522,074 | 50,729 |
| | Inferred | 3.49 | 0.74 | 8.9 | 0.92 | 83,060 | 999,278 | 103,092 |
| | **Total** | **5.07** | **0.76** | **9.3** | **0.94** | **123,365** | **1,521,352** | **153,821** |
| | | | | | | | | |
| **Crunchie Updated Resource Estimates** | | **Au Equiv = Au g/t + (Ag g/t * 0.025) 40:1** | | | | | | |
| AuEq Cut off | **Category** | **MTonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag Mozs** | **AuEq ozs** |
| 0.3 | Indicated | 2.6 | 0.43 | 40.6 | 1.45 | 36,326 | 3.4 | 121,393 |
| | Inferred | 3.5 | 0.45 | 37.5 | 1.39 | 50,735 | 4.2 | 155,773 |
| | **Total** | **6.1** | **0.44** | **38.8** | **1.42** | **87,002** | **7.6** | **277,269** |
| | | | | | | | | |
| 0.5 | Indicated | 2.5 | 0.45 | 41.6 | 1.49 | 36,110 | 3.36 | 120,043 |
| | Inferred | 3.3 | 0.47 | 38.8 | 1.44 | 50,336 | 4.13 | 153,623 |
| | **Total** | **5.8** | **0.46** | **40** | **1.46** | **86,522** | **7.49** | **273,611** |
| | | | | | | | | |
| **Crunchie Updated Resource Estimates** | | **Au Equiv = Au g/t + (Ag g/t * 0.020) 50:1** | | | | | | |
| | **Category** | **MTonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag Mozs** | **AuEq ozs** |
| 0.3 | Indicated | 2.6 | 0.43 | 40.6 | 1.25 | 36,314 | 3.4 | 104,339 |
| | Inferred | 3.4 | 0.46 | 38.1 | 1.22 | 50,592 | 4.18 | 134,130 |
| | **Total** | **6** | **0.45** | **39.2** | **1.23** | **87,045** | **7.58** | **238,503** |
| | | | | | | | | |
| 0.5 | Indicated | 2.4 | 0.46 | **42.4** | 1.31 | **35833** | 3.31 | 102,100 |
| | Inferred | 3.2 | 0.49 | **39.8** | 1.29 | **49797** | 4.04 | 130,676 |
| | **Total** | **5.6** | **0.48** | **40.9** | **1.29** | **85613** | **7.36** | **232,737** |
| | | | | | | | | |
| **Brother** | | | | | | | | |
| **AuEq Cut off** | **Ratio** | **Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | 40 to 1 | 1,929,668 | 0.44 | 0.9 | 0.46 | 27,200 | 53,492 | **28,538** |
| 0.3 | 50 to 1 | 1,893,197 | 0.44 | 0.9 | 0.46 | 26,854 | 53,024 | 27,920 |
| | | | | | | | | |
| **Cracklin' Rosie** | | | | | | | | |
| **AuEq Cut Off** | **Ratio** | **Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | 40 to 1 | 878,475 | 0.45 | 4.5 | 0.57 | 12,828 | 127,909 | **16,018** |
| 0.3 | 50 to 1 | 865,225 | 0.46 | 4.5 | 0.55 | 12,727 | 126,520 | 15,250 |
| | | | | | | | | |
| **Porcupine Pie** | | | | | | | | |
| **AuEq Cut Off** | **Ratio** | **Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | 40 to 1 | 1,311,088 | 0.37 | 6.5 | 0.53 | 15,684 | 273,709 | **22,533** |
| 0.3 | 50 to 1 | 1,230,263 | 0.38 | 6.6 | 0.52 | 15,203 | 260,669 | 20,402 |
| | | | | | | | | |
| **Totals - Brother + Cracklin' Rosie + Porcupine** | | | | | | | | |
| **AuEq Cut Off** | **Ratio** | **Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | 40 to 1 | 4,119,231 | 0.42 | 3.44 | 0.51 | 55,712 | 455,110 | **67,089** |
| 0.3 | 50 to 1 | 3,988,685 | 0.43 | 3.43 | 0.5 | 54,784 | 440,213 | 63,572 |
| | | | | | | | | |
| **Average density 2.78t/m$^3$** | | | | | | | | |

**Table 3:** Rannes summary resource statement, 23 May 2012

| Kauffmans | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| AuEq Cut off | **Category** | **M Tonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | Indicated | 2.3 | 0.63 | 8.6 | 0.84 | 47,100 | 642,000 | 63,200 |
| | Inferred | 6.2 | 0.54 | 7.3 | 0.72 | 106,800 | 1,436,000 | 142,600 |
| | Total | 8.5 | 0.56 | 7.6 | 0.75 | 153,900 | 2,078,000 | **205,800** |
| **Crunchie** | | | | | | | | |
| AuEq Cut off | **Category** | **MTonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag Mozs** | **AuEq ozs** |
| 0.3 | Indicated | 2.6 | 0.43 | 40.6 | 1.45 | 36,300 | 3,400,000 | 121,500 |
| | Inferred | 3.5 | 0.45 | 37.5 | 1.39 | 50,700 | 4,177,000 | 155,800 |
| | Total | 6.1 | 0.44 | 38.8 | 1.42 | 87,000 | 7,577,000 | **277,300** |
| **Brother+Cracklin Rosie+Porpcupine** | | | | | | | | |
| AuEq Cut Off | **Category** | **MTonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag ozs** | **AuEq ozs** |
| 0.3 | Inferred | 4.10 | 0.42 | 3.4 | 0.51 | 55,700 | 455,000 | **67,100** |
| **TOTAL** | | | | | | | | |
| AuEq Cut off | **Category** | **MTonnes** | **Au g/t** | **Ag g/t** | **AuEq g/t** | **Au ozs** | **Ag Mozs** | **AuEq ozs** |
| 0.3 | Indicated | 4.9 | 0.53 | 25.5 | 1.16 | 83,400 | 4,045,000 | 184,500 |
| | Inferred | 13.8 | 0.48 | 13.8 | 0.83 | 213,300 | 6,094,000 | 365,500 |
| | Total | 18.7 | 0.49 | 16.9 | 0.92 | 296,700 | 10,139,000 | **550,000** |

| Gold-Silver Ratio | Gold Equivalent Formula |
|---|---|
| 40:1 | Au equivalent 40 = Au g/t + (Ag g/t * 0.025) |

***Mount Perry***

*Location* : *130km north-west of Gympie, Queensland, Australia*
*Ownership* : *100% owned*
*Tenement Area* : *90* granted sub-blocks (*circa* 270km$^2$)
*Primary Targets* : *Porphyry and Vein Gold*

The 100% owned Mt Perry Project is located 130km north-west of Gympie, Queensland, Australia (see Figure 3).

The Mt Perry Goldfield (see Figure 8), a four-hour drive from Brisbane, is host to more than 60 named (and numerous other unnamed) historical mines and workings. The area lies adjacent to Evolution's 100kozpa Mt Rawdon Gold Mine on the intersection of two major geological fault structures; the Mt Perry and Darling Lineaments. Several high grade vein style and lower grade high tonnage porphyry style gold targets have already been identified by mapping sampling, geophysics and exploration drilling. Current published resources at Mt. Rawdon stand at 36.7 million tonnes at 0.87g/t gold for 1 million ounces, and historical production has been approximately 1 million ounces.

The exploration work has yielded recent, significant gold discoveries from drilling in a low risk environment adjacent to existing gold mining operations. Exploration at Mt Perry provides the opportunity to define significant areas of disseminated gold mineralisation related to mineralised intrusive related systems. New structural controls to mineralisation, as a persistent north-north-west fracture system, have been recognised in the Mt Perry project area.

The mineralised target zones at Mt Perry extend over a 20km long north-easterly corridor from Augustine West in the south west to the New Moonta mines in the north-east. Sulphide mineralised breccias with variable gold, silver and base metals, with occurrences of uranium characterise the Augustine to New Moonta trend. Copper-molybdenum porphyries with gold and zinc anomalous halos lie in the south of the project area and merge with the 7km long strongly mineralised Chinaman's Creek – Reid's Creek – Spring Creek – Regan's target immediately to the north.

Extensive airborne magnetic and electromagnetic surveys have been conducted over the Mt Perry Project area, together with detailed soil and rock chip sampling and mapping programs. This has been followed by drilling programs conducting first pass reconnaissance drilling on numerous targets.

During 2012 drilling was undertaken at Nicko's Reward prospect. The Nicko's Reward prospect is located 20km NW from Evolution Mining's Mt. Rawdon gold mine.

The 9 hole RC drilling program (1,169m) at Nicko's Reward prospect was conducted in May and June 2012. The program was undertaken to follow-up on historical drilling at Nicko's Reward prospect with goals of clarifying the geometry of the mineralised system, delivering an improved understanding of the geology to justify follow-up drilling, and to set the foundation for future resource definition. Encouraging gold assay results have been returned and a working model of the mineralised system has been developed.

There is scope for further drilling to the south and at depth, beyond the limits of the current and historical drilling. The geological interpretation suggests the presence of several intrusive bodies with the identification of a granodiorite that is associated with mineralisation. This mineralised body has been recognised in surface outcrop and in drill holes. It is expected that further mapping and a broader soil geochemical program will define future drill targets. There are key similarities to the style of mineralisation described at the Mt. Rawdon mine.

***Other Queensland Projects***

SolGold is currently seeking expressions of interest to joint venture the following projects.

***Normanby Project (100% SolGold)***
The Normanby Project is part of Acapulco, located 120km north-west of Mackay (see Figure 3) and comprises four tenements, 171 granted sub-blocks (*circa* 513km$^2$). The project is at the southern margin of eastern Australia's densest cluster of million ounce gold deposits, the nearest of which is Mt. Carlton 40km to the northwest.

A limited drilling program using a lightweight drill rig has discovered economic grades and widths of gold and copper mineralisation at Mount Flat Top with the best intersections of 42m at 1.16g/t gold and 34m at 1.22g/t gold. The steep terrain prevented a more intensive evaluation which will require a more powerful drill rig and better access tracks. The mineralisation has the geological features of a porphyry copper system with a high gold to copper ratio. Repetitions and extensions are indicated nearby, and other copper, gold, silver and molybdenum showings along strike are under examination.

A ground based field program was undertaken in June / July 2011. A detailed aeromagnetic survey was completed in late 2011 and this data was interpreted, together with historical data to define areas of further drilling.

***Clermont Project (100% SolGold)***
The Clermont Project is located 220km south-west of Mackay (see Figure 3) and comprises one tenement of 11 granted sub-blocks (*circa* 33km$^2$).

No significant exploration was undertaken during the 2011-12 year.

***Cracow West Project (100% SolGold)***
The Cracow West Project is located 260km west-north-west of Gympie (see Figure 3) and comprises two granted tenements of 82 sub-blocks (*circa* 246km$^2$), and 3 applications for an additional 30 sub-blocks.

Only preliminary stream sediment geochemical surveys have been done on the granted tenement. This work has identified an extensive area of antimony-tellurium anomalism with some lesser gold in streams that drain the westerly extensions of the Cracow goldfield. This is considered encouraging as the Cracow lodes have an antimony tellurium association. Geological mapping has been undertaken, and a small 'SAM' survey (sub-audio magnetotellurics) has been completed. This survey is aimed at identifying altered rock which may have an association with mineralised structures. Further work is in progress.

***Auburn Project (100% SolGold)***
The Auburn Project is located 175km west-south-west of Gympie (see Figure 3) and comprises one tenement, 100 granted sub-blocks (*circa* 300km$^2$). The project was acquired for the purpose of locating the source of gold – antimony anomalous epithermal vein float within ancient Tertiary drainages that originate in the area. The drainages are also anomalous for platinum, most likely derived from poorly outcropping gabbro's known in the application area.

The stream sediment survey has suggested that the epithermal float is derived elsewhere, however the project area contains some potential for nickel, copper, gold and platinum mineralisation related to gabbros.

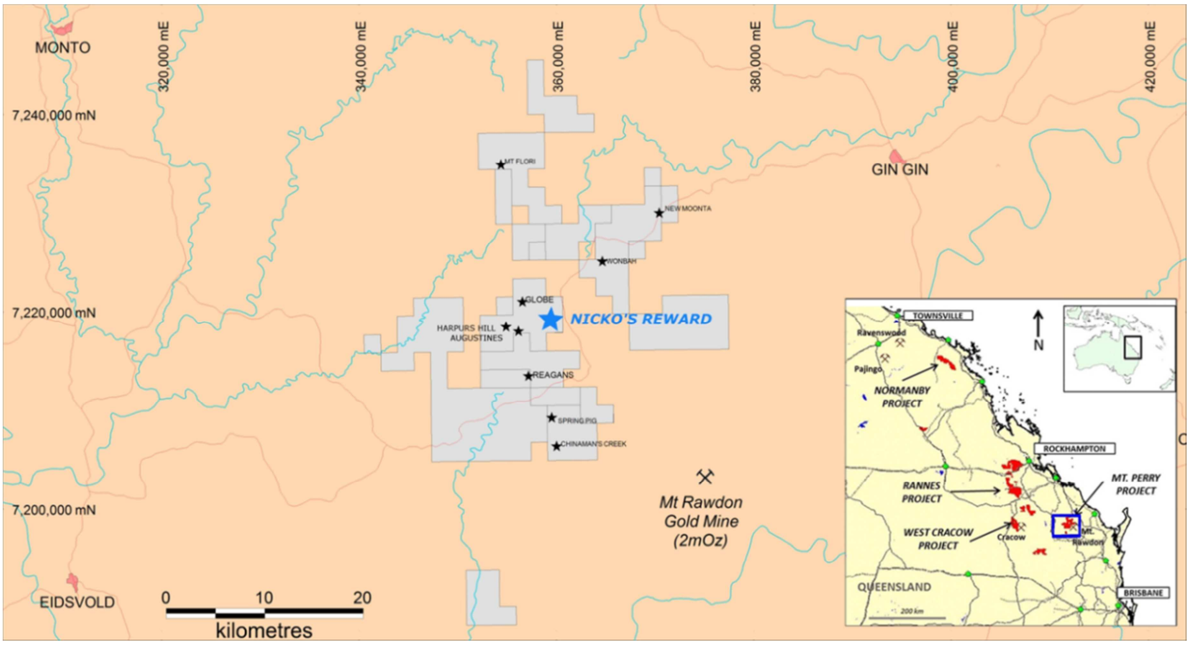



**Figure 8:** Location of Mount Perry prospects, with Nicko's Reward highlighted.

***<u>Fauro Island Project</u>***

| | |
|---|---|
| *Location* | *: 380km northwest of the Capital Honiara, Solomon Islands* |
| *Ownership* | *: 100% owned* |
| *Tenement Area* | *: 30km$^2$* |
| *Primary Targets* | *: Epithermal Gold and Gold Copper Porphyry* |

The Fauro Prospecting Licence (PL 12/09) was granted to Australian Resource Management (ARM) on 20th November 2009 for a first term of 3 years. An application for the first 2 year renewal of the PL, over a reduces area, has been lodged. The licence may be renewed for a further two years after this term and then a mining lease may be applied for by the Company if exploration is successful. The Fauro Project lies 82km south-east of the giant 'Panguna' copper gold porphyry deposit on Bougainville Island in neighbouring PNG. SolGold interprets the geology of the Fauro Project to be favourable for the discovery of epithermal gold and porphyry gold copper deposits similar to those within other parts of the belt. The Fauro property was acquired following concept development in 2007-2008 which targeted environments with demonstrated gold mineralisation within a Lihir-style volcanic caldera setting. Previous exploration has been conducted by CRA (1965), UDCL (1973) and BHP (1986-1988). Trenching by BHP over gold soil anomalies at Meriguna yielded 30m @ 1.60 g/t Au and 10m @ 5.02 g/t Au. BHP drilled 9 shallow holes. Later work by Exploration Acabit Pty Ltd (1997) comprised soil sampling and shallow drilling (5 holes).

The Fauro project is located within the Solomon Volcanic arc, and on the margin of a southwest promontory of thickened crust of the Ontong Java Plateau. The plateau collided with the Kilinailau-North Solomon trench offshore from Bougainville. Associated intense intra-arc compression associated with this collision is considered an important aspect of the tectonic setting, ultimately responsible for porphyry gold-copper mineralisation at Panguna on Bougainville Island.

The northern part of Fauro Island comprises a horse-shoe shaped collapse calc-alkaline volcanic caldera. The basement to the Fauro caldera comprises tholeiitic basalts which are intruded by calc-alkaline microdiorite and coarse quartz-feldspar porphyry, both of which are spatially associated with epithermal and porphyry mineralisation.

An airborne electromagnetic ("EM") survey was completed over the Fauro Project, covering 35km$^2$ of total land area, in April 2010. Nine intrusive systems and associated EM anomalies were identified including 15km$^2$ of the western rim with seven targets all supported by extensive mapping and sampling. The key prospects are Ballyorlo, Kiovakase, Meriguna, Bataha, Ballteara and Northern Fauro (see Figure 9). Available datasets across the project include airborne magnetics, airborne EM, IP, surface geochemistry (BLEGS, soils, rockchips), and geological mapping. The exploration work, with BLEG (Bulk Leach Extractable Gold: A geochemical sampling / analysis tool used during gold exploration to accurately measure fine grained gold), trench and rock chip sampling, has continued to test the identified electromagnetic anomalies on the western rim. The sampling to date, has outlined high grade gold targets (sampled at up to 173g/t gold) at Meriguna and Kiovakase, and an interpreted copper gold molybdenum porphyry system underlying surface gold and molybdenum mineralisation at Ballyorlo in the south of the exploration licence area.

Of the nine target areas, key prospects have been defined and include the central Ballyorlo gold-copper porphyry target and peripheral high-level and high-grade gold-silver epithermal targets at Meriguna and Kiovakase. Rockchip grades of up to 169 g/t Au in silicified volcanic breccias have been returned from Kiovakase. Rockchip grades of up to 173 g/t Au have been returned from Meriguna. Free gold is pannable at both prospects.

Trench results at Meriguna include:

- BK1 - 7m at 17.1 g/t Au (incl. 1m @ 97.6 g/t Au).
- GHT1 - 6m at 7.4 g/t Au (incl. 1m @ 20.4 g/t Au).
- BK9 - 20m at 4.2 g/t Au (incl. 6m at 11.63g/t gold and 2m at 5.04g/t gold).

Drill results at Meriguna include:

- FDDH02: 31m @ 2.28 g/t Au from 18m (incl. 18m @ 3.14 g/t Au)
  1m @ 11.64 g/t Au from 123m
  1m @ 44.45 g/t Au from 208m
- FDDH03: 16m @ 1.11 g/t Au from 3m

Dacitic intrusions, intrusion breccias and volcanic rocks host Au-(Cu) mineralization. N-, NW- and W-trending fault- and fracture-lineaments influence mineralisation. High-grade gold results are from rock-float and zones (<3 m wide) of silica-breccias and veins. A gold anomaly >100 ppb in soil exceeds 1000 m (N-S) by 500 m (E-W), and is open to the southwest. Up to 173 g/t Au (float), 48.6 g/t Au (outcrop) and 2m at 96.7 g/t Au (trench) with Ag/Au ratios < 5, have been identified. A major north-trending magnetic high and IP-chargeability high has only been partially tested in drill holes FDDH01 to 03. A western magnetic high is flanked by zones of elevated chargeability that are still to be tested.

At Ballyorlo prospect drill intersections indicate gold and copper mineralisation may have been intersected in a peripheral halo environment to the main porphyry target. These include:

- Ballyorlo FDDH05: 266m @ 0.16 g/t Au and 0.03% Cu from 20m.
  FDDH06: 156m @ 0.13 g/t Au from 39m (+ 1m @ 44.45 g/t Au from 38m).
  FDDH07: 46m @ 0.10 g/t Au and 0.10% Cu from 150m.

Trench results at Ballyorlo include:

- BLBATR1 – 16m @ 1.6 g/t Au (5.9 g/t Ag) incl. 2m @ 6.18 g/t Au (19.2 g/t Ag).

These results have defined a presently poorly tested porphyry Cu-Au-Mo target at Central Ballyorlo.

Dacitic intrusions, intrusion breccias and adjacent volcanics host Au-Cu mineralization. Lineaments indicate NW-, W- and NNE- to N-trends (inferred fault/fracture zones). High-grade Au results have been received from rock-float and narrow zones of quartz veins and silica-breccias. Assay results of up to 169 g/t Au (float) and 15 g/t Au (outcrop) at Kiovakase and 20.9 g/t Au (float) at NW Ballyorlo have been received. Hydrothermal alteration and metal zoning indicates the potential for the centre of a porphyry system at central Ballyorlo. Vectors provided by increasing Cu/Zn, Ag/Au and Mo in rock point towards the central Ballyorlo area from peripheral Au-bearing zones at Kiovakase and east Ballyorlo. Copper-in-soil > 500 ppm covers a 370 m by 300 m zone in central Ballyorlo, with Cu in rock-float up to 0.6%. The magnetic high tested by drill hole FDDH04 indicates a vector to potassic alteration at depth. The magnetic high tested by FDDH06 contains magnetite-bearing, chlorite-epidote alteration. Untested magnetic highs in southwest and northwest Ballyorlo are associated with anomalous copper and gold in soil and rock samples.

Diamond drilling at Meriguna and Ballyorlo prospects commenced in December 2010 and was concluded in December 2011. Further drill targets have been defined and follow-up in these areas is on hold while a JV partner is being sought.

The Kiovakase Prospect has an epithermal or high level gold signature. During the surface sampling program, the highest gold samples returned assay results of 18g/t, 161g/t and 169g/t and the highest silver results being 166g/t, 181g/t and 190g/t. The copper results were low, with only two results greater than 0.1% (0.14% and 0.16%). Trench BLKTR1 has returned; 16m at 1.40g/t gold (including 4m at 1.14g/t gold, and 6m at 2.51g/t gold).

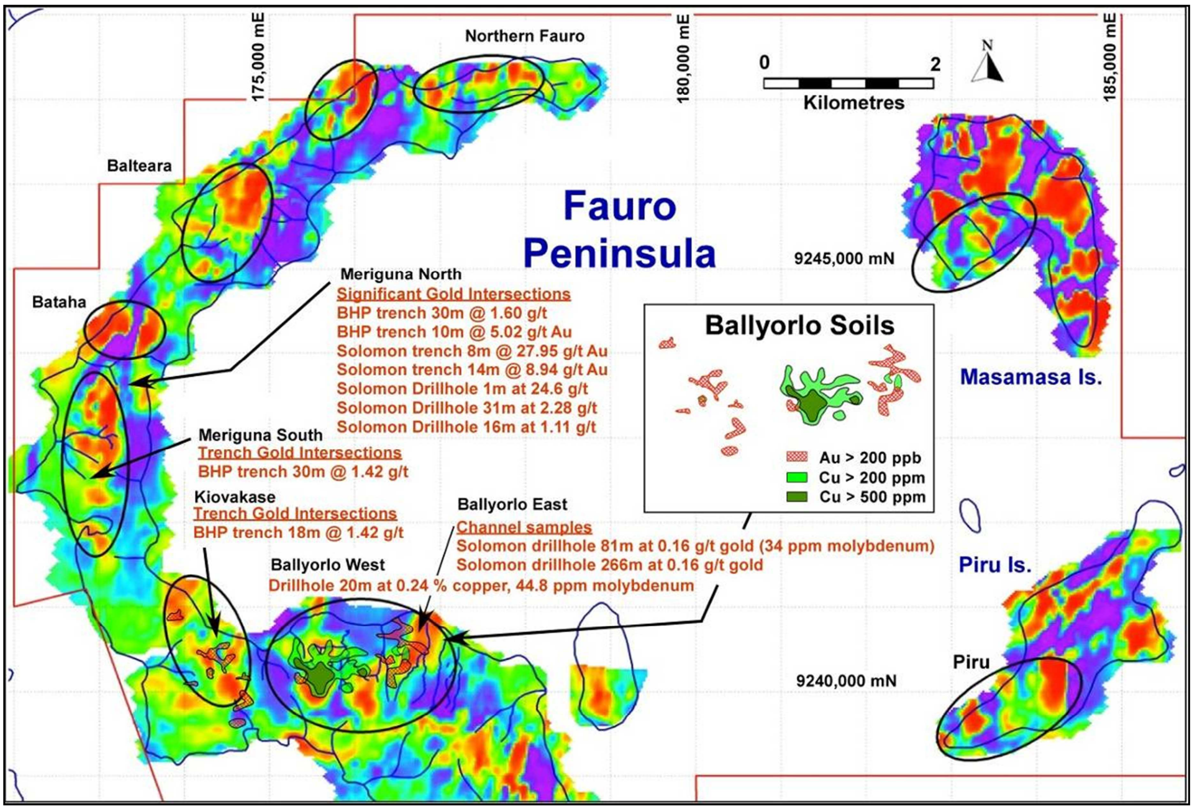



**Figure 9:** Fauro prospects

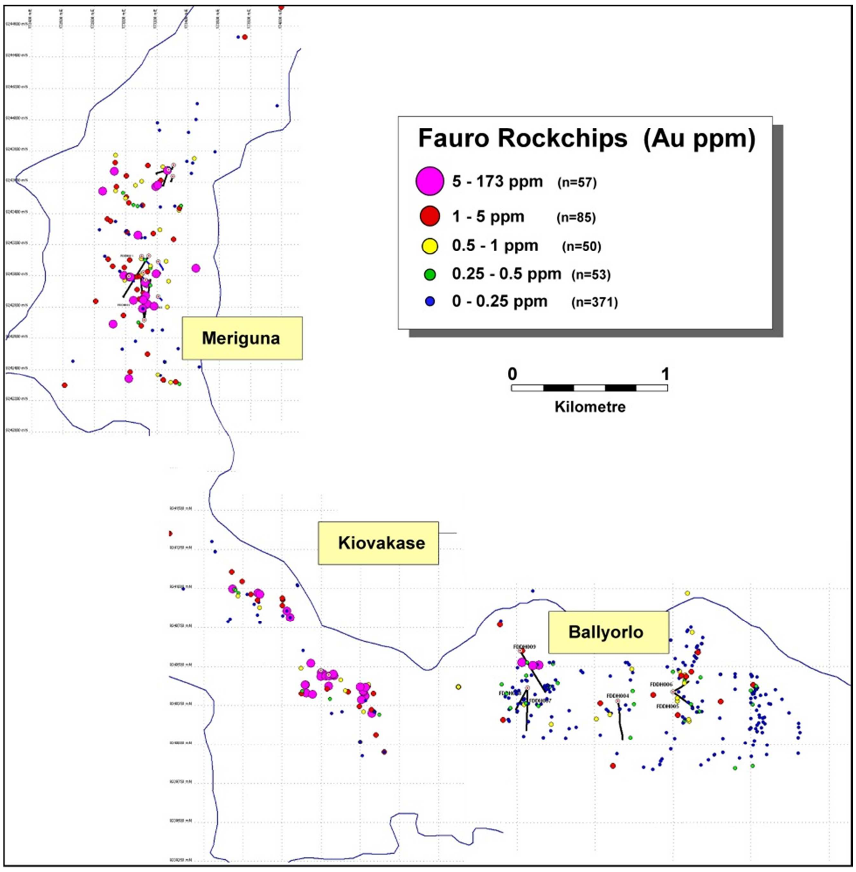



**Figure 10:** Au in rock chips on Fauro Island plus all holes drilled to date (BHP, Acabit and SolGold).

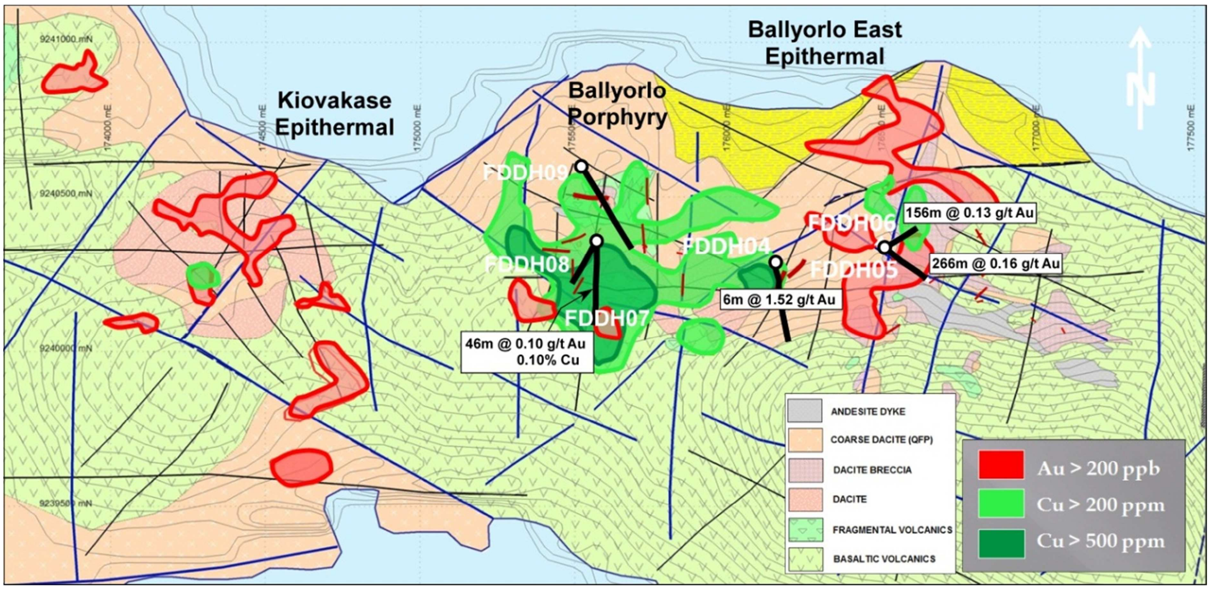



**Figure 11:** Ballyorlo drill holes and Cu and Au soil anomalies. Ballyorlo East and Kiovakase are interpreted shallow-level and peripheral epithermal systems related to the deeper central Ballyorlo porphyry system. Porphyry quartz stockwork outcrops in Copper Creek are located within the confines of the central Cu anomaly. Porphyry mineralised clasts were intersected in a Cu-mineralised hydrothermal breccia (46m @ 0.10 g/t Au and 0.10% Cu) in hole FDDH07 at Central Ballyorlo.

***Guadalcanal Joint Venture***

| | |
|---|---|
| *Location* | *: 30km south of the capital city of Honiara, Solomon Islands* |
| *Ownership* | *: SolGold 26% - Newmont 74%* |
| *Tenement Area* | *: 271km$^2$* |
| *Primary Targets* | *: Gold Copper Porphyry* |

On 5 March 2009, SolGold entered into a joint venture agreement whereby Newmont Ventures Limited, a subsidiary of Newmont Mining Corporation ('Newmont') (NYE: NEM), one of the world's largest gold companies, committed to an exploration expenditure program of up to US$12million over five-years (31 March 2014) to earn up to a 70% interest in the Guadalcanal Joint Venture ("GJV"), including expenditure of US$6million by 31 March 2012 in order to have a 51% legal and beneficial interest in the GJV. The GJV comprises the Company's Guadalcanal tenements, Mbetilonga, Sutakiki, Central Guadalcanal, Koloula and Kuma. In 2012 Newmont advised that they would cease funding the GJV and resign as manager. Newmont had met the earn-in expenditure commitments and, as a consequence of SolGold electing to not fund the 2012 exploration program, Newmont's interest in the GJV stands at 74%, and SolGold's at 26%. Newmont's cessation of funding resulted in Newmont and SolGold agreeing to seek expressions of interest for the joint sale of 100% of the GJV. That process is on-going

See figure 12 for the location of the Guadalcanal joint venture projects.

The Work Program for the 2011-12 field season on the Guadalcanal tenements comprised follow-up drilling at the Sutakiki Project area, one drill hole at each of Hambusimaloso Prospect (MBT008), and Vuanimaho Prospect (MBT009), both part of the Mbetilonga Project.

Exploration activities undertaken at Sutakiki during 2011 included data compilation and evaluation, BLEG sampling, mapping, minor rock chip sampling and the drilling of two diamond holes (SUT001 and 002). BLEG data, in concert with existing aeromagnetic data rated the Sutakiki Valley as an important structural zone for the potential focussing of intrusives and fluid flow. A number of discrete magnetic features, that occupy spatially restricted, highly metal anomalous drainage catchments occur along the valley and were targeted for further exploration. Geologic mapping of the Taborora porphyry system was progressed and the limits of potassic alteration were mapped.

Drill holes SUT001 and -002 at Taborora tested the significance of a discrete magnetic feature immediately east of historic drill hole SK001, which yielded an intercept of 354m @ 0.5ppm Au and 0.13% Cu from 247m to end of hole. Hole SUT001 returned a best intercept of 259m @ 0.28ppm Au and 0.11% Cu from 362m to EOH, and provided a compelling alteration vector towards depth. Hole SUT002 yielded a best intercept of 174m @ 0.07ppm Au and 0.07% Cu, and supportive, though less convincing alteration vectors.

Geological mapping formed a focus of work at Mbetilonga during 2011, where other activities undertaken included hyperspectral analysis of outcrop along selected mapping traverses, systematic soil sampling, a significant IP survey, re-sampling of a trench, the collection of five BLEG samples and the drilling of seven diamond holes. A significantly improved understanding of the geology of the Mbetilonga licence was developed through the integration of factual mapping with other geophysical, geochemical and remotely sensed datasets.

Re-sampling of historic ARM "Trench 3" at Hambusimaloso returned an intercept of 30m @ 0.88% Cu, which was in reasonable agreement with the historic value of 30m @ 0.4% Cu. ARM "Trench 1", approximately 175m to the west, previously yielded 80m @ 1.76% Cu. Three drill holes previously completed by ARM at Hambusimaloso skirt the fringe of a significant bismuth-molybdenum-copper geochemical anomaly, over approximately 1km$^2$, and coincident float of intensely altered and copper-mineralised intrusive rock. Drill hole MBT008 was drilled to the target this geochemical and geological zone. It was drilled to a depth of 693m. The hole drilled through a zone of altered and veined volcanic rocks and dioritic intrusives from approximately 400m to 550m depth, but did not return any significant assay results.

At Mbetilonga, Vuanimaho Prospect, hole MBT009 was abandoned due to poor ground conditions prior to reaching the target depth. This followed historical exploration that included drill hole MBT001 which returned elevated gold and anomalous copper values to 0.51%. The best mineralised interval returned 24m at 0.23% copper from 250m, with gold to 0.05ppm. This zone was coincident with the highest magnetic susceptibility indicating a strong relationship between magnetics and copper mineralisation. Assays for the second hole MBT002 at the Vuanimaho Prospect intersected 46m at 0.25% copper and 0.34g/t gold from 298m (incl. 6m at 0.27% copper and 0.99g/t gold from 334m). The mineralisation is comprised of disseminated copper sulphide (chalcopyrite) and minor quartz veins hosted in porphyritic quartz diorite.

No access was available to the Central licence during much of H1 2012 owing to an on-going disagreement with Land Owners over access fees. Access was eventually negotiated and a small BLEG programme was completed.

No further exploration was undertaken at the Koloula Project during 2011-12.

A review of exploration data from the Kuma project, comprising geological mapping, ASD analysis (clay alteration spectral mapping), BLEG, soil and trench/channel sampling, downgraded the project area and no further work was done during the 2011-12 year.

***Other Solomon Island Projects***

***<u>Ngella Project, Florida Island (100% SolGold)</u>***

The Ngella prospecting licence is located approximately 30km north of Honiara on Florida Island (see Figure 4). The area was selected by the Company as a lateritic nickel target, after the identification of nickeliferous ultrabasic rocks in the area.

On 10 December 2008, the Company announced a maiden Inferred Resource of 1.7Mt at a grade of 0.6% nickel and 0.06% cobalt at the Ngella Project, on Florida Island. Based on mineralisation at higher grades persisting at depth in most of the test pits dug to date a target of a total 5.4Mt at a grade of 1.0% nickel and 0.1% cobalt has been outlined. Further extensions are expected to the south. The Company is encouraged by the presence of platinum in the mineralised zones with anomalous palladium. Best results to date have included 2.02% nickel, 0.23% cobalt and 0.15g/t platinum and 0.11g/t palladium.

SolGold is currently assessing work programs at Ngella and may consider seeking a JV partner to advance exploration.

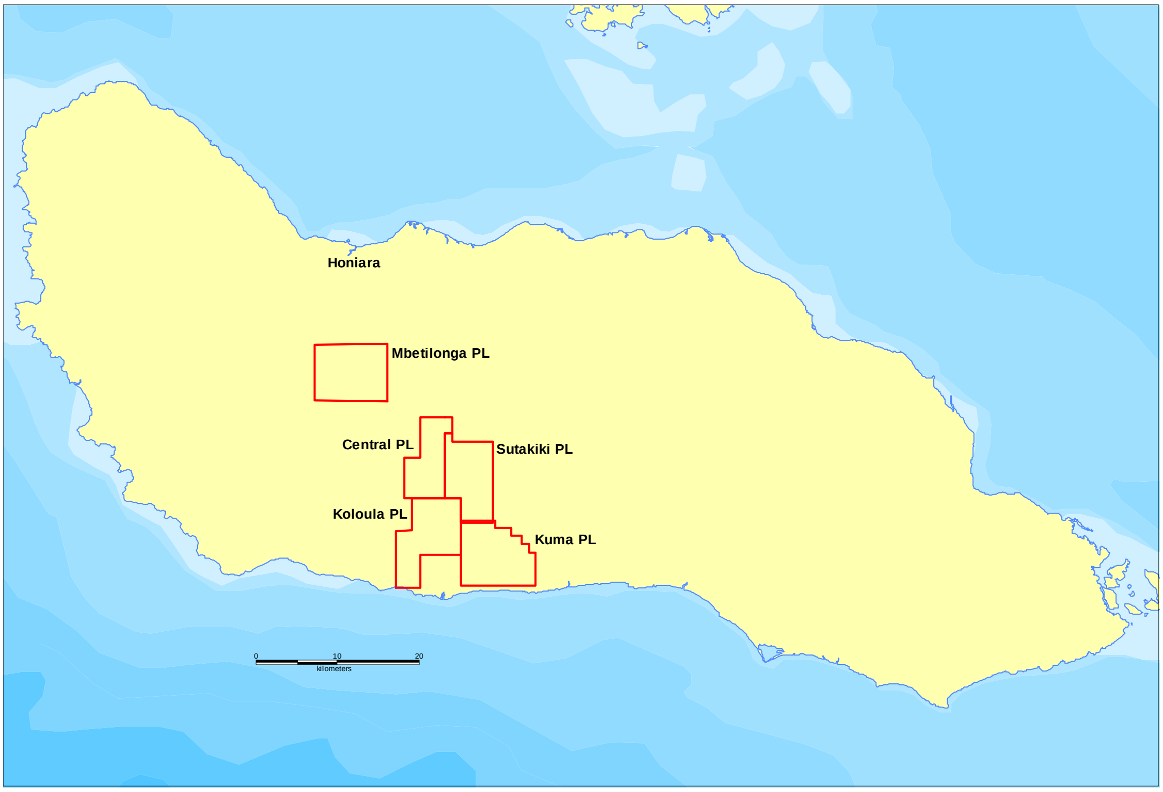



**Figure 12:** Guadalcanal Joint Venture Tenements

***Qualified Person***

Information in this report relating to the exploration results, gold:silver ratios and cut-off grades is based on data reviewed by Mr Malcolm Norris (B.Sc. Hons, MSc), the Chief Executive Officer of the Company. Mr Norris 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 Norris consents to the inclusion of the information in the form and context in which it appears.

The data in this report that relates to Mineral Resources using the Ordinary Kriging (OK) method is based on information evaluated by Mr Simon Tear who is a Member of The Australasian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code and guidelines"). Mr Tear is a full-time employee of H&S Consultants Pty Ltd and he consents to the inclusion in the report of the Mineral Resource in the form and context in which they appear.

## INTERESTS IN TENEMENTS

| EPM | EPM Name | Principal Holder | Project | Expiry | |
|---|---|---|---|---|---|
| **Queensland** | | | | | |
| 14279 | Mount Perry North | Acapulco Mining Pty Ltd | Mt Perry | 24/Jan/12 | ** |
| 14280 | Mount Perry South | Acapulco Mining Pty Ltd | Mt Perry | 03/Mar/11 | ** |
| 14283 | Mount Perry | Acapulco Mining Pty Ltd | Mt Perry | 23/May/11 | ** |
| 17362 | Reid Creek | Acapulco Mining Pty Ltd | Mt Perry | 16/Sep/13 | |
| 18362 | Mt Flori extended | Acapulco Mining Pty Ltd | Mt Perry | 21/Mar/13 | |
| 18494 | Spring Creek | Acapulco Mining Pty Ltd | Mt Perry | 23/Jan/14 | |
| 11343 | Normanby Gold | Acapulco Mining Pty Ltd | Normanby | 12/Sep/11 | ** |
| 16456 | Normanby extended | Acapulco Mining Pty Ltd | Normanby | 23/Aug/12 | ** |
| 17354 | Clarke Range | Acapulco Mining Pty Ltd | Normanby | 27/Feb/16 | |
| 18280 | Normanby South | Acapulco Mining Pty Ltd | Normanby | 18/Apr/14 | |
| 17492 | Auburn River | Central Minerals Pty Ltd | Auburn | 15/Apr/12 | ** |
| 15842 | Glenmore | Central Minerals Pty Ltd | Clermont | 02/Jan/12 | ** |
| 18032 | Cracow West | Central Minerals Pty Ltd | Cracow West | 11/Oct/12 | ** |
| 18035 | Tim Shay | Central Minerals Pty Ltd | Cracow West | 03/Nov/11 | ** |
| 15779 | Cooper | Central Minerals Pty Ltd | Rannes | 20/Dec/11 | ** |
| 15803 | Cooper Extended | Central Minerals Pty Ltd | Rannes | 28/Jan/14 | ** |
| 16420 | Dee Valley | Central Minerals Pty Ltd | Rannes | 20/Sep/12 | ** |
| 17079 | Banana North | Central Minerals Pty Ltd | Rannes | 19/Jan/14 | |
| 17665 | Fitzroy South | Central Minerals Pty Ltd | Rannes | 08/Apr/11 | ** |
| 17937 | Goovigen | Central Minerals Pty Ltd | Rannes | 20/Oct/12 | ** |
| 18743 | Woolein | Central Minerals Pty Ltd | Rannes | 11/Oct/13 | |
| 18744 | Pinnacles West | Central Minerals Pty Ltd | Rannes | 11/Oct/13 | |
| 18760 | Westwood | Central Minerals Pty Ltd | Rannes | 22/Jan/15 | |
| 19243 | Lonesome | Central Minerals Pty Ltd | Rannes | 22/Jan/15 | |
| 19348 | Black Plains | Central Minerals Pty Ltd | Rannes | 02/Aug/15 | |
| 19349 | Mt Copper | Central Minerals Pty Ltd | Rannes | n/a | * |
| 19556 | Dawson Range | Central Minerals Pty Ltd | Rannes | n/a | * |
| 19604 | Dululu | Central Minerals Pty Ltd | Rannes | n/a | * |
| 19639 | Goovigen Consolidated | Central Minerals Pty Ltd | Rannes | n/a | * |
| 19691 | Dawson Range Ext | Central Minerals Pty Ltd | Cracow West | n/a | * |
| 19466 | Cattle Creek North | Central Minerals Pty Ltd | Cracow West | n/a | * |
| 19467 | Cattle Creek South | Central Minerals Pty Ltd | Cracow West | n/a | * |
| 19469 | Dawson Gap | Central Minerals Pty Ltd | Cracow West | n/a | * |
| 19410 | Normanby Consolidated | Acapulco Mining Pty Ltd | Normanby | n/a | * |
| **Solomon Islands** | | | | | |
| PL 02/05 | Koloula | Australian Resources Management Pty Ltd | GJV (Newmont) | 11/Feb/13 | |
| PL 03/05 | Central | Australian Resources Management Pty Ltd | GJV (Newmont) | 11/Feb/13 | |
| PL 04/05 | Mbetilonga | Australian Resources Management Pty Ltd | GJV (Newmont) | 11/Feb/13 | |
| PL 05/05 | Sutakiki | Australian Resources Management Pty Ltd | GJV (Newmont) | 10/Feb/13 | |
| PL 08/06 | Kuma | Australian Resources Management Pty Ltd | GJV (Newmont) | 21/Dec/12 | |
| PL 57/07 | Florida | Australian Resources Management Pty Ltd | Florida Islands | 07/Aug/13 | |
| PL 12/09 | Fauro | Australian Resources Management Pty Ltd | Fauro | 19/Nov/12 | *** |
| PL 77/11 | Vela | Honiara Holdings | Vela | 08/Jul/14 | |
| RP 01/12 | Rendova | Honiara Holdings | Rendova | 16/Apr/13 | **** |
| **Ecuador** | | | | | |
| 402288 | Cascabel | Cornerstone (through subsidiaries CESA and ENSA) | Cascabel | 26/Apr/35 | |

* EPM Applications have been lodged. Expiry dates determined at time of EPM grant.
** Renewal Applications have been lodged, the Company sees no reason as to why these tenements will not be renewed in the near future.
*** Application for renewal of the PL, for a period of 2 years, has been lodged.
**** Application for a PL (59 km2) has been lodged

## RISKS AND UNCERTAINTIES

**The Directors consider that the factors and risks described below are the most significant.**

**Funding Risks**

The Group's ability to effectively implement its business strategy over time may depend in part on its ability to raise additional funds and/or its ability to generate revenue from its projects. The need for and amount of any additional funds required is currently unknown and will depend on numerous factors related to the Group's current and future activities.

If required, the Group would seek additional funds, through equity, debt or joint venture financing. There can be no assurance that any such equity, debt or joint venture financing will be available to the Group in a timely manner, on favourable terms, or at all. Any additional equity financing will dilute current shareholdings, and debt financing, if available, may involve restrictions on further financing and operating activities.

If adequate funds are not available on acceptable terms, the Group may not be able to take advantage of opportunities or otherwise respond to competitive pressures, as well as possibly resulting in the delay or indefinite postponement of the Group's activities.

**General Exploration and Extraction risks**

There is no certainty that the Company will identify commercially mineable reserves in the Tenements. The exploration for, and development of, mineral deposits involves significant uncertainties and the Company's operations will be subject to all of the hazards and risks normally encountered in such activities, particularly given the terrain and nature of the activities being undertaken. Although precautions to minimise risks will be taken, even a combination of careful evaluation, experience and knowledge may not eliminate all of the hazards and risks.

The targets identified by the Company's personnel and consultants, are based on current experience and modelling and all available data. There is no guarantee that surface sample grades of any metal or mineral taken in the past will persist below the surface of the ground. Furthermore, there can be no guarantee that the estimates of quantities and grades of gold and minerals disclosed will be available for extraction and sale.

Reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

**Title Risk**

SolGold's tenements are subject to various conditions, obligations and regulations. If applications for title or renewal are required this can be at the discretion of the relevant government minister or officials. If approval is refused, SolGold will suffer a loss of the opportunity to undertake further exploration, or development, of the tenement. SolGold currently knows of no reason to believe that current applications will not be approved, granted or renewed. Some of the properties may be subject to prior unregistered agreements or transfers or native or indigenous peoples' land claims and title may be affected by undetected defects. No assurance can be given that title defects do not exist. If a title defect does exist, it is possible that SolGold may lose all or a portion of the property to which the title defects relates.

**Native Title Risk**

The effect of the Native Title Act 1993 (Cth) ("NTA") is that existing and new tenements held by SolGold may be affected by native title claims and procedures. SolGold has not undertaken the historical, legal or anthropological research and investigations at the date of this report that would be required to form an opinion as to whether any existing or future claim for native title could be upheld over a particular parcel of land covered by a tenement.

There is a potential risk that a determination could be made that native title exists in relation to land the subject of a tenement held or to be held by SolGold which may affect the operation of SolGold's business and development activities. In the event that it is determined that native title does exist or a native title claim is registered, SolGold may need to comply with procedures under the NTA in order to carry out its operations or to be granted any additional rights such as a Mining Lease. Such procedures may take considerable time, involve the negotiation of significant agreements, involve a requirement to negotiate for access rights, and require the payment of compensation to those persons holding or claiming native title in the land which is the subject of a tenement. The administration and determination of native title issues may have a material adverse impact on the position of SolGold in terms of its cash flows, financial performance, business development, ability to pay dividends and share price.

**Volatility of Commodity Prices**

SolGold's possible future revenues will probably be derived mainly from Gold and Copper and/or from royalties gained from potential joint ventures or from mineral projects sold. Also, during operations by SolGold, the revenues used will be dependent on the terms of any agreement for the activities. Consequently, SolGold's potential future earnings could be closely related to the price of either of these commodities.

Gold and Copper prices fluctuate and are affected by numerous industry factors, many of which are beyond the control of SolGold. Such factors include, but are not limited to, demand for CDIs, technological advancements, forward selling by producers, production cost levels in major producing regions, macroeconomic factors, inflation, interest rates, currency exchange rates and global and regional demand for, and supply of, Gold and Copper.

If the market price of Gold and Copper sold by SolGold were to fall below the costs of production and remain at such a level for any sustained period, SolGold would experience losses and could have to curtail or suspend some or all of its proposed mining activities. In such circumstances, SolGold would also have to assess the economic impact of any sustained lower commodity prices on recoverability.

**Project Development Risks**

If the Company discovers a potentially economic resource or reserve, there is no assurance that the Company will be able to develop a mine thereon, or otherwise commercially exploit such resource or reserve. Further, there can be no assurance that the Company will be able to manage effectively the expansion of its operations or that the Company's current personnel, systems, procedures and controls will be adequate to support the Company's operations as operations expand. Any failure of management to manage effectively the Company's growth and development could have a material adverse effect on the Company's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Company's current strategy will develop as anticipated.

**Currency Fluctuations**

The future value of the Ordinary Shares may fluctuate in accordance with movements in the foreign currency exchange rates. For example, it is common practice in the mining industry for mineral production revenue to be denominated in USD, although some but not all of the costs of exploration production will be incurred in USD and not all of the ore or metal obtained from the Tenements will be sold in USD denominated transactions.

**Land Access Risk**

Land access is critical for exploration and evaluation to succeed. In all cases the acquisition of prospective tenements is a competitive business, in which propriety knowledge or information is critical and the ability to negotiate satisfactory commercial arrangements with other parties is often essential.

Access to land for exploration purposes can be affected by land ownership, including private (freehold) land, pastoral lease and native title land or claims under the Native Title Act 1993 (Cth). Immediate access to land in the areas of activities cannot in all cases be guaranteed. SolGold may be required to seek consent of land holders or other persons or groups with an interest in real property encompassed by, or adjacent to, SolGold's tenements. Compensation may be required to be paid by SolGold to land holders so that SolGold may carry out exploration and/or mining activities. Where applicable, agreements with indigenous groups have to be in place before a mineral tenement can be granted.

Rights to mineral tenements carry with them various obligations in regard to minimum expenditure levels and responsibilities in respect of the environment and safety. Failure to observe these requirements could prejudice the right to maintain title to a given area.

In the case of mining and exploration operations in Solomon Islands, there is a complex land tenure structure and while the Tenements and those Access Agreements entered into between Australian Resource Management (ARM) Pty Ltd ("ARM") and Honiara Holdings Pty. Ltd. and various landowners entitle it to explore for the duration of the term of each PL, the existing legislative framework only provides for limited forms of negotiation between the landowners/community leaders on the one hand and mining companies on the other. It is also incumbent on the Director of Mines and the mining tenement holder to identify which landowners and community leaders they need to negotiate with. SolGold does not guarantee that the identifications made to date and upon which the Access Agreements are currently based may not be contested. As a consequence there may be unexpected difficulties experienced in progressing a promising resource into a commercial mining operation.

SolGold has also procured Access Agreements for areas within the Tenements. Whilst SolGold believes that it is entitled to rely upon the same to conduct exploration within these areas, no assurance can be given that there may not be some future challenge to SolGold's ability to do so.

**Land Access Risk (continued)**

Whilst SolGold has the Access Agreements with landowners covering the majority of the prospective areas identified by SolGold within the Tenements, its ability to carry out exploration in the residual areas will require additional access agreements to be entered into. The ability of SolGold to secure the benefits of all the Access Agreements is dependent upon, inter alia, the contracting parties' willingness to perform and discharge their obligations thereunder. There may be legal and commercial limitations in respect of enforcement of contractual rights. Additionally, SolGold will not be permitted to explore in areas nominated by the landowners as reserved or protected areas under section 4(2) of the Mining Act. Whilst SolGold is actively seeking to liaise with landowners to identify relevant reserved or protected areas, some considerable uncertainty exists as to the precise location of these areas, the identification of which requires the input of the indigenous population. The inability of SolGold to identify these areas, or a claim by landowners that reserved or protected areas exist over areas identified by SolGold as prospective, may have a material adverse effect on the ability of SolGold to conduct its exploration programme in the manner identified in this document.

Government policy, impassable or difficult access as a result of the terrain, seasonal climatic effects or inclement weather can also adversely impact SolGold's activities.

**Geopolitical, regulatory and sovereign risk**

The availability and rights to explore and mine, as well as industry profitability generally, can be affected by changes in government policy that are beyond the control of SolGold.

SolGold's exploration tenements are located in Ecuador, the Solomon Islands and Australia and are subject to the risks associated with operating both in domestic and foreign jurisdictions. As the Solomon Islands and Ecuador are developing countries, their legal and political systems are emerging when compared to those in operation in Australia and the United Kingdom. Such risks include, but are not limited to:

- economic, social or political instability or change;
- hyperinflation, currency non-convertibility or instability;
- changes of law affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing, export duties, resource rent taxes, repatriation of capital, environmental protection, mine safety, labour relations;
- government control over mineral properties or government regulations that require the employment of local staff or contractors or require other benefits to be provided to local residents;
- delays and declines in the standard and effective operation of SolGold's activities, unforeseen and un-budgeted costs, and/or threats to occupational health and safety as a consequence of geopolitical, regulatory and sovereign risk.

*Queensland*

The Queensland Minister for Natural Resources, Mines and Energy conducts reviews from time to time of policies relating to the granting and administration of mining tenements. At present, SolGold is not aware of any proposed changes to policy that would affect its tenements.

In Queensland, the Aboriginal Cultural Heritage Act 2003 and the Torres Strait Islander Cultural Heritage Act 2003 (which commenced on 16 April 2004) impose duties of care which require persons, including SolGold, to take all reasonable and practical measures to avoid damaging or destroying Aboriginal cultural heritage. This obligation applies across the State and requires SolGold to develop suitable internal procedures to discharge its duty of care in order to avoid exposure to substantial financial penalties if its activities damage items of cultural significance. Under this legislation, indigenous people can exercise control over land with respect to cultural heritage without necessarily having established the connection element (as required under native title law). This creates a potential risk that the tenement holder may have to deal with several indigenous individuals or corporations, where no native title has been established, to identify and manage cultural heritage issues. This could result in tenement holders requiring lengthy lead times to manage cultural heritage for their projects.

Changing attitudes to environmental, land care, cultural heritage and indigenous land rights' issues, together with the nature of the political process, provide the possibility for future policy changes. There is a risk that such changes may affect SolGold's exploration plans or, indeed, its rights and/or obligations with respect to the tenements.

*Solomon Islands*

The Solomon Islands minerals board may from time to time amend and review its policies on mining and exploration in the Solomon Islands. Any such changes in Government policy may affect the ability of SolGold to conduct and undertake mining and exploration in the Solomon Islands.

**Geopolitical, regulatory and sovereign risk (continued)**

*Ecuador*

SolGold's Cascabel project in Ecuador may be exposed to potentially adverse risks associated with the evolving rules and laws governing mining expansion and development in that jurisdiction. Additionally, SolGold's operations may be detrimentally affected in the event that the Ecuadorian government were to default on its foreign debt obligations or become subject to wider global economic and investment uncertainty. SolGold is not aware of any current material changes in legislative, regulatory and public policy initiatives in Ecuador however any future or proposed changes may adversely affect the Cascabel project or SolGold's ability to operate successfully in Ecuador.

Under the current legislative regime, a mining corporation and the Ecuadorian Government must enter into an exploitation contract prior to exploitation of natural resources. There is no certainty that SolGold will be able to successfully enter into an exploitation contract, or enter into one on commercially favourable terms, and such a scenario may adversely impact on the Cascabel project or render it uneconomical.

## FINANCIAL REVIEW

The Company achieved several milestones during the financial year ended 30 June 2012. These included:

- appointment of Mr. Malcolm Norris as Chief Executive Officer and Managing Director of SolGold and its subsidiaries, effective 1 November 2011;
- signing of a farm-in agreement with Cornerstone Capital Resources Inc. ("Cornerstone"), whereby SolGold may acquire up to 85% of Cornerstone's 100% owned 5,000 hectare Cascabel gold-copper-silver property in northern Ecuador.
- update of the resources at Rannes to include Indicated and Inferred categories representing better defined, lower risk, resources. As a result, the overall resource estimate has been modified to 18.7 million tonnes at 0.5g/t gold and 16.9g/t silver (0.9g/t gold equivalent for 550,000 gold equivalent ounces); and
- the completion of a successful raising of approximately $3.4 million in March 2012 from institutional and professional investors.

**Results**

The Group incurred a loss of $22,505,208 for the year, including the impairment and write off of exploration expenses during the year of $18.6 million. Given that the Group is still at the exploration phase of its development, this is in line with expectations.

**Statement of Financial Position**

As at 30 June 2012, the Group had net assets of approximately $39.8 million, a decrease of approximately $17.3 million over the previous financial year. This decrease was largely associated with the impairment charge of $17.95 recognised over the Guadalcanal Joint Venture exploration expenditure, offset by the completion of a $3.4 million placement in March 2012 and the capitalisation of exploration expenditure by the Group during the year.

The only interest-bearing debt incurred by the Group includes minor leasing facilities totalling $132,860, secured over the leased assets.

**Cash Flow**

Our cash expenditure for the year was approximately $14.5 million, including the repayment of borrowings. Cash of approximately $3.4 million was received from the issue of securities. Accordingly, the net cash outflow of the Company for the year was approximately $11.1 million.

Cash of approximately $12.2 million was invested by the Group on exploration expenditure during the year.

**Post Balance Sheet Events**

On 17 July 2012, the Company issued 33,333,333 shares at £0.04 to raise $2 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 23 July 2012, the Company issued a total of 10,700 Convertible Redeemable Preference Shares (CRPS) to certain executive employees subsequent to the approvals granted by shareholders at the Company's AGM on 28 June 2012.

On 24 August 2012, the Company made a C$200,000 private placement in Cornerstone Capital Resources Inc. based on the TSXV 30 day volume weighted average price in accordance with the signed definitive option agreement.

On 9 October 2012, the Company issued 55,555,556 shares at £0.035 to raise $3 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 12 October 2012, the Company issued an additional 21,972,143 shares at £0.035 to raise $1.14 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after the balance date that would have a material impact on the consolidated financial statements.

**Outlook**

The exploration programs for 2013 will focus on Cascabel and Rannes along with finding joint venture partners for the Group's Fauro, Normanby, and Mt Perry projects.

At Cascabel, surface exploration and airborne geophysical surveys will be completed prior to drill testing of the best anomalies. The drilling phase is subject to permitting. The time frame for issuance of those permits is difficult to assess but may be months.

At Rannes, surface exploration is in progress and it is expected that drill targets will be defined for drilling in late 2012 and early to mid 2013.

**Financial Controls and Risk Management**

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

**Nominated Advisors and Brokers**

RFC Corporate Finance Limited ("RFC") and Fairfax IS act as Nominated Advisor and Broker to the Company respectively.

**Equity**

Since the date of the last Annual Report, the Company has issued the following equities:

On 6 March 2012, the Company issued 28,758,445 shares at £0.08 to raise $3.4 million pursuant to a private placement.

On 17 July 2012, the Company issued 33,333,333 shares at £0.04 to raise $2 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 23 July 2012, the Company issued a total of 10,700 Convertible Redeemable Preference Shares (CRPS) to certain executive employees subsequent to the approvals granted by shareholders at the Company's AGM on 28 June 2012.

On 9 October 2012, the Company issued 55,555,556 shares at £0.035 to raise $3 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 12 October 2012, the Company issued an additional 21,972,143 shares at £0.035 to raise $1.14 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

**At year end the Company had a total of 313,381,934 shares and 12,972,000 options on issue. As at the date of this report, the Company had a total of 424,242,966 shares, 10,700 Convertible Redeemable Preference Shares and 11,264,000 options on issue.**

## DIRECTORS AND COMPANY SECRETARY

The Board consists of two Executive Directors and four Non-Executive Directors.

**Cameron Wenck**
**(Non-Executive Chairman)**

Cameron Wenck (50), appointed 22 November 2005, is a financial adviser and company Director with over 20 years' experience in the financial services industry. Earlier in his career he worked for the London stockbrokers Scrimgeour Vickers and Chartered Accountants PricewaterhouseCoopers. He has a Bachelor of Commerce, a Diploma of Financial Planning, is a Fellow of CPA Australia and a Certified Financial Planner.

**Malcolm Norris**
**(Managing Director and Chief Executive Officer)**

Malcolm Norris (52), appointed 1 November 2011, is a senior mining industry professional with extensive experience in mineral exploration, the development of new business opportunities and asset transactions.

Mr Norris' previous roles have covered a wide range of commodities, geographic locations, and the management of global teams and projects, the most recent of which included the discovery of Tujuh Bukit copper-gold porphyry project for ASX listed Intrepid Mines Ltd (2006-2011). This discovery underpinned an increase in the capitalisation of the company from A$40 million to a peak of A$1.1 billion in 25 months.

Mr Norris was employed by WMC Resources from 1981 to 2005. During this period Mr Norris occupied various roles including Group Manager – Exploration (2003-2004), Global Exploration Manager – Gold (2001-2002) and several years as Country Manager for WMC Resources in the Philippines.

Mr Norris has a BSc honours degree (First Class) in Geology from the University of Queensland, and an MSc from the University of Western Ontario in Canada. Mr Norris is also an Asialink Leadership Program Fellow (2005), and has completed a Graduate Certificate in Finance. He is a Fellow of the AusIMM and is a member of the Australian Institute of Company Directors.

**Nicholas Mather**
**(Executive Director)**

Nicholas Mather (55), appointed 11 May 2005, graduated in 1979 from the University of Queensland with a B.Sc. (Hons, Geology). He has over 25 years' experience in exploration and resource company management in a variety of countries. His career has taken him to numerous countries exploring for precious and base metals and fossil fuels. Nicholas Mather has focused his attention on the identification of and investment in large resource exploration projects.

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

Nicholas Mather is Chief Executive of DGR Global Limited and non-executive Director of ASX-listed companies Armour Energy Limited, AusNiCo Limited, Navaho Gold Limited, Orbis Gold Limited and Lakes Oil NL.

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

Brian Moller (53), appointed 11 May 2005, is a corporate partner in the Brisbane-based law firm Hopgood Ganim Lawyers, the Australian solicitors to the Company. He was admitted as a solicitor in 1981 and has been a partner at Hopgood Ganim since 1983. He practices almost exclusively in the corporate area with an emphasis on capital raising, mergers and acquisitions.

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

Brian Moller acts for many publicly-listed resource and industrial companies and brings a wealth of experience and expertise to the board, particularly in the corporate regulatory and governance areas. He is a non-executive Director of ASX listed DGR Global Limited, Navaho Gold Limited and Platina Resources Limited, and the non-executive Chairman of ASX-listed AusNiCo Limited.

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

Rob Weinberg (65), appointed 22 November 2005, gained his doctorate in geology from Oxford University in 1973. He has more than 35 years' experience of the international mining industry and is an independent mining research analyst and consultant. He is a Fellow of the Geological Society of London and also a Fellow of the Institute of Materials, Minerals and Mining.

Prior to his current activities he was Managing Director, Institutional Investment at the World Gold Council. Previously he was a Director of the investment banking division at Deutsche Bank in London after having been head of the global mining research team at SG Warburg Securities. He has also held senior positions within Société Générale and was head of the mining team at James Capel & Co. He was formerly marketing manager of the gold and uranium division of Anglo American Corporation of South Africa Ltd.

Dr Weinberg is a non-executive Director of the ASX listed Kasbah Resources Limited, Medusa Mining Limited, which is a company listed on the ASX and LSE and of Chaarat Gold Holdings Limited, a company listed on AIM.

**John Bovard**
**(Non-Executive Director)**

John Bovard (65), appointed 2 November 2009, is a civil engineer with over 40 years' experience in mining, heavy construction, project development and corporate management throughout Australia. His career to date has included roles as CEO of public companies and both Executive and Non-Executive Directorships. He holds a Bachelors Degree in Civil Engineering, is a Fellow of the Australasian Institute of Mining and Metallurgy, and a Fellow of the Australian Institute of Company Directors.

Mr Bovard is currently the Non-Executive Chairman of the ASX-listed Mt Isa Metals Limited and Australian Pacific Coal Limited (formerly Pacific Enviromin Limited). Other roles within the past five (5) years have included acting as the interim CEO of Australian Solomons Gold Ltd (April 2007 to January 2008) and the Non-Executive Chairman of Axiom Mining Ltd (June 2006 to April 2007). From March 2002 to June 2006, Mr Bovard acted as the CEO of Asia Pacific Resources Ltd (listed on the TSX) developing a large potash resource in Thailand. Other Directorships have included Danae Resources NL (Managing Director) and Greenwich Resources Plc, both through to early 2006.

He was also Project Manager for the $A800 million Phosphate Hill Fertiliser Project for Western Mining Corporation (WMC) situated south of Mount Isa in Queensland, Australia. Other previous project experience includes managing the construction of the Porgera Mine in Papua New Guinea, the Super Pit expansion at Kalgoorlie, and the development of the Bronzewing Gold Mine in Western Australia. He was previously the General Manager of the giant OK Tedi porphyry Copper Gold Mine. Mr Bovard's corporate profile, together with his extensive experience in south west Pacific mining operations and construction is considered to be of great value to SolGold Plc.

**COMPANY SECRETARY**

**Karl Schlobohm**
**(Company Secretary)**

Karl Schlobohm (44) has over twenty (20) years' experience in the accounting profession across a wide range of businesses and industries. He has previously been contracted into CFO roles with ASX-listed resource companies Discovery Metals Limited and Meridian Minerals Limited, and as Company Secretary of ASX-listed Linc Energy Limited, Agenix Limited, Discovery Metals Limited and Global Seafood Australia Limited.

Mr Schlobohm is a Chartered Accountant and holds Bachelor Degrees in Commerce and in Economics, and a Masters Degree in Taxation.

Mr Schlobohm is also contracted to act as the Company Secretary of the ASX-listed DGR Global Limited, Navaho Gold Limited and AusNiCo Limited.

# DIRECTORS' REPORT

The Directors present their annual report and audited financial statements for the year ended 30 June 2012.

**PRINCIPAL ACTIVITIES**

The principal activities of SolGold plc (the "Company") and its subsidiaries (together "SolGold" or the "Group") are gold and mineral exploration in Ecuador, 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 Operations Report. Effective 14 May 2012 the Company changed its name from Solomon Gold plc to SolGold plc.

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

**BUSINESS REVIEW**

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. The Group and the Company has not generated revenues from operations. As such, the Group's and Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful capital raisings in the future of necessary funding and the successful exploration and subsequent exploitation of the Group's tenements. In the absence of these matters being successful, 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 financing will be required.

Subsequent to year end, the Company successfully completed 3 placements on 17 July 2012, 9 October 2012 and 12 October 2012 and raised a total of $6.14 million. Furthermore, the Company is in the process of finalising its anticipated listing on the Australian Securities Exchange (ASX). Together this means that the company should have sufficient capital to fund and progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and 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 third parties or capital raising, 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 $22,505,208 (2011:$2,724,076).

**CHANGES IN SHARE CAPITAL DURING 2012**

A statement of changes in the share capital of the Company is set out in Note 16 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 20 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 27 days (2011: 17 days) worth of purchases in Group trade creditors and 41 days (2011: 17days) worth of purchases in Company trade creditors.

**DIRECTORS AND DIRECTORS' INTERESTS**

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

| | |
|---|---|
| Malcolm Norris | CEO & Managing Director (Appointed 1 November 2011) |
| Cameron Wenck | Non-Executive Chairman |
| Nicholas Mather | Executive Director |
| Brian Moller | Non-Executive Director |
| Robert Weinberg | Non-Executive Director |
| John Bovard | Non-Executive Director |

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

The Directors who held office at the end of the financial year held 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 2012 | At 30 June 2011 |
|---|---|---|
| Malcolm Norris | 422,297 | - |
| Cameron Wenck | 2,260,937 | 2,260,937 |
| Nicholas Mather | 39,001,319 | 38,156,724 |
| Brian Moller | 1,158,017 | 1,158,017 |
| Robert Weinberg | 738,287 | 738,287 |
| John Bovard | 591,365 | 591,365 |

A total of 1,200,000 options were issued to Directors during the year (2011: 5,940,000).

| Share options held | At 30 June 2012 | At 30 June 2011 | Option Price | Exercise Period |
|---|---|---|---|---|
| Cameron Wenck | 1,100,000 | 1,100,000 | 50p | 31/05/12 -31/05/14 |
| Malcolm Norris | 1,200,000 | - | 14p - 28p | 28/06/13 – 28/06/15 |
| Nicholas Mather | 1,200,000 | 2,200,000 | 50p | 31/05/12 -31/05/14 |
| Brian Moller | 880,000 | 880,000 | 50p | 31/05/12 -31/05/14 |
| Robert Weinberg | 880,000 | 880,000 | 50p | 31/05/12 -31/05/14 |
| John Bovard | 880,000 | 880,000 | 50p | 31/05/12 -31/05/14 |

## MAJOR SHAREHOLDERS

The following parties represented the top 10 shareholders in the Company as at 12 October 2012.

| Major Shareholders | Number of Shares | % of Issued Capital |
|---|---|---|
| Tenstar Trading Limited | 75,333,255 | 17.76 |
| DGR Global Limited | 46,237,440 | 10.90 |
| Samuel Holdings Pty Ltd <SAMUELDT> | 24,175,625 | 5.70 |
| TD Direct Investing Nominees (Europe) Limited <SMKTNOMS> | 23,650,362 | 5.57 |
| W B Nominees Limited | 19,212,411 | 4.53 |
| Pershing Nominees Limited <WRCLT> | 17,885,305 | 4.22 |
| Barclayshare Nominees Limited | 15,192,048 | 3.58 |
| Mather Investments (QLD) Pty Ltd | 13,304,259 | 3.14 |
| The Bank of New York (Nominees) Limited <RBSGF> | 12,653,667 | 2.98 |
| Pershing Nominees Limited <FICLT> | 10,338,964 | 2.44 |

## 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 UK Corporate Governance Code issued by the Financial Reporting Council in June 2010 (as appended to the Listing Rules of the Financial Services Authority) so far as is practicable for a company of SolGold's size.

The Board of SolGold plc is made up of two Executive Directors and four Non-executive Directors. Cameron Wenck chairs the Board, Nicholas Mather is an Executive Director and Malcolm Norris 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 auditor 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 Nick Mather are the other committee members.

The remuneration of the non-executive Directors is determined by the executive Directors who consider it essential, notwithstanding 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 3,740,000 in total, or just under 0.9% 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 2012 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 Ecuador, Solomon Islands and Queensland, and is chaired by John Bovard, the other members being Malcolm Norris 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 (2011: A$ nil).

**AUDITOR**

A resolution for the appointment of the Company's auditor will be proposed at the forthcoming Annual General Meeting.

**SUBSEQUENT EVENTS**

On 24 August 2012, the Company made a C$200,000 private placement in Cornerstone Capital Resources Inc. based on the TSXV 30 day volume weighted average price in accordance with the signed definitive option agreement.

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

**DIRECTORS' RESPONSIBILITIES STATEMENT**

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 accounting estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- 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, to disclose with reasonable accuracy at any time the financial position of the company and to 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 auditor is 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 auditor is aware of the information.

This report was approved by the board on 7 November 2012 and signed on its behalf.

**Karl Schlobohm**
**Company Secretary**
Studio 4, 304 Montague Rd
West End QLD 4101
Australia

## INDEPENDENT AUDITOR'S REPORT

**To the members of SolGold PLC**

We have audited the financial statements of SolGold PLC for the year ended 30 June 2012 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent 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 auditor's 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 auditor**

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 and express an opinion on 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 of the financial statements**

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. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2012 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 - going concern and availability of project finance**

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

**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 auditor
London, UK
7 November 2012

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
**For the year ended 30 June 2012**

| | Notes | Group 2012 $ | Group 2011 $ |
|---|---|---|---|
| Revenue | | - | - |
| Cost of sales | | - | - |
| **Gross profit** | | **-** | **-** |
| Other income | | 468 | 841 |
| Administrative expenses | | | |
| Exploration costs written-off | 11 | (18,606,445) | (279,038) |
| Other | | (4,122,328) | (2,909,930) |
| **Operating loss** | | **(22,728,305)** | **(3,188,127)** |
| Finance income | 6 | 223,097 | 502,638 |
| Finance costs | 6 | - | (38,587) |
| **Loss before income tax** | 3 | **(22,505,208)** | **(2,724,076)** |
| Income tax expense | 7 | - | - |
| **Loss for the year** | | **(22,505,208)** | **(2,724,076)** |
| | | | |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the year** | | **(22,505,208)** | **(2,724,076)** |
| | | | |
| **Loss for the year attributable to:** | | | |
| Owners of the parent company | | (22,505,057) | (2,724,076) |
| Non-controlling interest | | (151) | - |
| | | **(22,505,208)** | **(2,724,076)** |
| | | | |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the parent company | | (22,505,057) | (2,724,076) |
| Non-controlling interest | | (151) | - |
| | | **(22,505,208)** | **(2,724,076)** |
| | | | |
| **Earnings per share** | | **Cents per share** | **Cents per share** |
| Basic earnings per share | 8 | (7.7) | (1.0) |
| Diluted earnings per share | 8 | (7.7) | (1.0) |

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

## CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

**As at 30 June 2012**

Registered Number 5449516

| | Notes | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 10 | 297,677 | 356,720 | 27,065 | 20,878 |
| Intangible assets | 11 | 40,255,104 | 44,720,340 | 222,208 | - |
| Investment in subsidiaries | 9 | - | - | 41,726,237 | 46,001,868 |
| Loans receivable and other non-current assets | 12 | 98,413 | 947,876 | 7,569 | 868,896 |
| **Total non-current assets** | | **40,651,194** | **46,024,936** | **41,983,079** | **46,891,642** |
| Other receivables and prepayments | 14 | 469,062 | 556,335 | 250,803 | 419,480 |
| Cash and cash equivalents | 15 | 440,623 | 11,543,750 | 343,736 | 11,368,468 |
| **Total current assets** | | **909,685** | **12,100,085** | **594,539** | **11,787,948** |
| **Total assets** | | **41,560,879** | **58,125,021** | **42,577,618** | **58,679,590** |
| | | | | | |
| **Equity** | | | | | |
| Share capital | 16 | 5,791,534 | 5,365,926 | 5,791,534 | 5,365,926 |
| Share premium | 16 | 61,216,133 | 58,402,290 | 61,216,133 | 58,402,290 |
| Other reserves | | 3,145,297 | 1,116,380 | 3,145,297 | 1,116,380 |
| Accumulated loss | | (30,325,921) | (7,820,864) | (28,491,681) | (6,456,536) |
| Non-controlling interest | | (46,183) | - | - | - |
| **Total equity** | | **39,780,860** | **57,063,732** | **41,661,283** | **58,428,060** |
| | | | | | |
| **Liabilities** | | | | | |
| Finance lease liabilities | 17 | 80,498 | 132,822 | - | - |
| **Total non-current liabilities** | | **80,498** | **132,822** | **-** | **-** |
| Finance lease liabilities | 17 | 52,362 | 47,234 | - | - |
| Trade and other payables | 18 | 1,647,159 | 881,233 | 916,335 | 251,530 |
| **Total current liabilities** | | **1,699,521** | **928,467** | **916,335** | **251,530** |
| **Total liabilities** | | **1,780,019** | **1,061,289** | **916,335** | **251,530** |
| **Total equity and liabilities** | | **41,560,879** | **58,125,021** | **42,577,618** | **58,679,590** |

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

The financial statements were approved and authorised for issue by the Board and were signed in its behalf on 7 November 2012.

Malcolm Norris
Director

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY
**For the year ended 30 June 2012**

**Consolidated statement of changes in equity**

| | Notes | Share capital<br>$ | Share premium<br>$ | Share option reserve<br>$ | Accumulated loss<br>$ | Non-controlling interests<br>$ | Total<br>$ |
|---|---|---|---|---|---|---|---|
| **Balance at 30 June 2010** | 16 | **3,870,090** | **33,263,679** | **1,070,805** | **(6,161,893)** | **-** | **32,042,681** |
| Loss and total comprehensive income for the period | | - | - | - | (2,724,076) | - | (2,724,076) |
| New share capital subscribed | | 1,481,888 | 26,360,097 | - | - | - | 27,841,985 |
| Share issue costs | | - | (1,221,486) | - | - | - | (1,221,486) |
| Value of shares and options issued to Directors, employees and consultants | | 13,948 | - | 688,988 | 421,692 | - | 1,124,628 |
| Reserve transfers on expiration of share options | | - | - | (643,413) | 643,413 | - | - |
| **Balance at 30 June 2011** | 16 | **5,365,926** | **58,402,290** | **1,116,380** | **(7,820,864)** | **-** | **57,063,732** |
| Loss and total comprehensive income for the period | | - | - | - | (22,505,057) | (151) | (22,505,208) |
| New share capital subscribed | | 425,608 | 3,003,414 | - | - | - | 3,429,022 |
| Share issue costs | | - | (189,571) | - | - | - | (189,571) |
| Value of shares and options issued to Directors, employees and consultants | | - | - | 2,028,917 | - | - | 2,028,917 |
| Non-controlling interest in subsidiary acquired | | - | - | - | - | (46,032) | (46,032) |
| **Balance at 30 June 2012** | 16 | **5,791,534** | **61,216,133** | **3,145,297** | **(30,325,921)** | **(46,183)** | **39,780,860** |

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

## CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
**For the year ended 30 June 2012**

**Company statement of changes in equity**

| | Notes | Share capital $ | Share premium $ | Share option reserve $ | Accumulated loss $ | Total $ |
|---|---|---|---|---|---|---|
| **Balance at 30 June 2010** | 16 | **3,870,090** | **33,263,679** | **1,070,805** | **(5,234,969)** | **32,969,605** |
| Loss and total comprehensive loss for the period | | - | - | - | (2,286,672) | (2,286,672) |
| New share capital subscribed | | 1,481,888 | 26,360,097 | - | - | 27,841,985 |
| Share issue costs | | - | (1,221,486) | - | - | (1,221,486) |
| Value of shares and options issued to Directors, employees and consultants | | 13,948 | - | 688,988 | 421,692 | 1,124,628 |
| Reserve transfers on expiration of share options | | - | - | (643,413) | 643,413 | - |
| **Balance at 30 June 2011** | 16 | **5,365,926** | **58,402,290** | **1,116,380** | **(6,456,536)** | **58,428,060** |
| Loss and total comprehensive loss for the period | | - | - | - | (22,035,145) | (22,035,145) |
| New share capital subscribed | | 425,608 | 3,003,414 | - | - | 3,429,022 |
| Share issue costs | | - | (189,571) | - | - | (189,571) |
| Value of shares and options issued to Directors, employees and consultants | | - | - | 2,028,917 | - | 2,028,917 |
| **Balance at 30 June 2012** | 16 | **5,791,534** | **61,216,133** | **3,145,297** | **(28,491,681)** | **(41,661,283)** |

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

## CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS
**For the year ended 30 June 2012**

| | Notes | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Operating loss | | (22,728,305) | (3,188,127) | (22,233,466) | (2,285,849) |
| Depreciation | | 77,457 | 70,167 | 8,850 | 4,126 |
| Share based payment expense | | 1,345,410 | 457,020 | 1,345,410 | 457,020 |
| Write-off of exploration expenditure | | 18,606,445 | 279,038 | - | - |
| Impairment of loan receivables | | - | - | 18,311,066 | |
| (Increase) decrease in other receivables and prepayments | | (102,555) | (178,450) | 115,255 | (361,987) |
| Increase (decrease) in trade and other payables | | 544,842 | (188,052) | 292,170 | (162,017) |
| **Net cash outflow from operating activities** | | **(2,256,706)** | **(2,748,404)** | **(2,183,692)** | **(2,348,707)** |
| | | | | | |
| **Cash flows from investing activities** | | | | | |
| Interest received | | 223,097 | 502,638 | 221,297 | 501,334 |
| Interest paid | | - | (38,587) | - | (38,587) |
| Acquisition of property, plant and equipment | | (18,413) | (28,785) | (15,037) | (18,381) |
| Acquisition of exploration and evaluation assets | | (12,249,212) | (11,288,752) | (222,208) | - |
| Acquisition of subsidiaries (net of cash) | 23 | 5,853 | - | - | - |
| Loans advanced to third parties | | - | (665,875) | (211,256) | (665,875) |
| Loans advanced to subsidiaries | | - | - | (11,853,287) | (11,793,790) |
| **Net cash outflow from investing activities** | | **(12,038,675)** | **(11,519,361)** | **(12,080,491)** | **(12,015,299)** |
| | | | | | |
| **Cash flows from financing activities** | | | | | |
| Proceeds from the issue of ordinary share capital | | 3,429,022 | 27,841,984 | 3,429,022 | 27,841,984 |
| Payment of issue costs | | (189,571) | (1,221,486) | (189,571) | (1,221,486) |
| Repayment of borrowings | | (47,197) | (1,028,794) | - | (1,000,000) |
| **Net cash inflow from financing activities** | | **3,192,254** | **25,591,704** | **3,239,451** | **25,620,498** |
| | | | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(11,103,127)** | **11,323,939** | **(11,024,732)** | **11,256,492** |
| Cash and cash equivalents at the beginning of period | | 11,543,750 | 219,811 | 11,368,468 | 111,976 |
| **Cash and cash equivalents at end of period** | 15 | **440,623** | **11,543,750** | **343,736** | **11,368,468** |

**Non cash transactions**

During the year the Group acquired Honiara Holdings Pty Ltd. The consideration was partly satisfied by the conversion of loan to share capital.

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

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

### 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 issued 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.

The financial statements have been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the ordinary course of business. The Company has not generated revenues from operations. 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 $789,836, compared with a net current asset position in 2011 of $11,171,618. As such, the Company's ability to continue to adopt the going concern assumption will depend upon a number of matters including the successful raising in the future of necessary funding for the successful exploration and subsequent exploitation of the Company's tenements.

Subsequent to year end, the Company successfully completed 3 placements on 17 July 2012, 9 October 2012 and 12 October 2012 and raised a total of $6.14 million. Furthermore, the Company is in the process of finalising its anticipated listing on the Australian Securities Exchange (ASX). Together this means that the Company should have sufficient capital to fund and progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and 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 third parties or capital raising, it may not be able to fully develop its projects. In the absence of these matters being successful, there exists a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business.

**(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.

Non-controlling interests are allocated their share of net profit after tax in the statement of comprehensive income and presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

*(ii) Transactions eliminated on consolidation*

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

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 1 ACCOUNTING POLICIES (Continued)**

**(d) Foreign currency**

The Company's functional and presentation currency is Australian dollars (A$). The exchange rates at 30 June 2012 were £0.65050/A$1.0 and SBD$6.86883/A$1.0 (30 June 2011: £0.66135/A$1.0 and SBD$7.30697/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$). The functional currency of the subsidiaries in Solomon Islands is considered to be Solomon Islands Dollars (SBD$). 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.

**(e) Property, plant and equipment**

*(i) Owned assets*

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 values and useful lives are 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.

**NOTE 1 ACCOUNTING POLICIES (Continued)**

**(f) Intangible assets (continued)**

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) Loans receivables, other receivables and prepayments**

Loans receivables, 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 borrowings in current liabilities on the statement of financial position.

**(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.

The ceasing of funding and the resignation of Newmont as the manager of the Guadalcanal Joint Venture led the Group to conduct an impairment review of these deferred exploration and evaluation costs.

**(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 may also be 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 income.

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 1 ACCOUNTING POLICIES (Continued)**

**(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. The effect of discounting is immaterial.

**(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) Financing costs and income**

*(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.

**(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 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.

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 1 ACCOUNTING POLICIES (Continued)**

**(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 on acquisition 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 at 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.

**(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. Costs incurred by SolGold plc are recognised as intangible assets within the financial statements. Costs incurred by third parties are not recognised by SolGold plc.

**(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.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 1 ACCOUNTING POLICIES (Continued)**

**(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 $22,035,145 (2011: $2,286,672).

*(ii) Subsidiary investments*

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

**(w) Changes in accounting policies**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the accounting periods commencing 1 July 2011 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 2012**

**NOTE 2 SEGMENT REPORTING**

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 SolGold 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 2012 | Finance Income $ | Total Income $ | Result $ | Assets $ | Liabilities $ | Share Based Payments $ | Depreciation $ |
|---|---|---|---|---|---|---|---|
| SolGold | 221,297 | 221,765 | (22,035,145) | 42,682,244 | 916,335 | 1,345,410 | 8,850 |
| ARM | 381 | 381 | (18,225,172) | 13,901,046 | 32,316,738 | - | 25,445 |
| Central Minerals | 302 | 302 | (479,350) | 11,321,143 | 12,224,848 | - | 32,187 |
| Acapulco Mining | 1,116 | 1,116 | (76,256) | 5,616,786 | 3,374,880 | - | 10,975 |
| Solomon Operations | 1 | 1 | (131) | 29,770 | 81,457 | - | - |
| Honiara Holdings | - | - | (69) | 854,030 | 804,099 | - | - |
| Guadalcanal Exploration | - | - | (151) | 989,209 | 1,035,544 | - | - |
| Consolidation / Elimination | - | - | 18,311,066 | (33,833,349) | (48,973,883) | - | - |
| **Total** | **223,097** | **223,565** | **(22,505,208)** | **41,560,879** | **1,780,018** | **1,345,410** | **77,457** |

| 30 June 2011 | Finance Income $ | Total Income $ | Result $ | Assets $ | Liabilities $ | Share Based Payments $ | Depreciation $ |
|---|---|---|---|---|---|---|---|
| SolGold | 501,334 | 501,580 | (2,286,672) | 58,679,590 | 251,530 | 457,020 | 4,126 |
| ARM | 312 | 312 | (73,474) | 26,730,258 | 26,816,152 | - | 35,460 |
| Central Minerals | 62 | 62 | (253,083) | 5,632,580 | 6,056,935 | - | 21,454 |
| Acapulco Mining | 930 | 1,525 | (110,847) | 5,099,538 | 2,781,376 | - | 9,127 |
| Solomon Operations | - | - | - | 542 | 52,251 | - | - |
| Consolidation / Elimination | - | - | - | (38,017,487) | (34,896,955) | - | - |
| **Total** | **502,638** | **503,479** | **(2,724,076)** | **58,125,021** | **1,061,289** | **457,020** | **70,167** |

Honiara Holdings Pty Ltd and Guadalcanal Exploration Pty Ltd joined the Group on 17 February 2012 and 18 April 2012 respectively.

**Geographical information**

| Non-current assets | 2012 $ | 2011 $ |
|---|---|---|
| UK | - | - |
| Australia | 26,526,703 | 19,321,490 |
| Solomon Islands | 13,902,283 | 26,703,446 |
| Ecuador | 222,208 | - |

The Group had no revenue during the year.

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

## NOTE 3 LOSS BEFORE TAX

| | Group 2012 $ | Group 2011 $ |
|---|---|---|
| **Loss is stated after charging (crediting)** | | |
| Auditors' remuneration: | | |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 40,500 | 52,150 |
| Fees payable to the company's auditor and its associates for other services: | | |
| Other assurance related services | 4,944 | 24,500 |
| Tax services | - | 9,920 |
| Depreciation | 77,457 | 70,167 |
| Foreign exchange losses | 28,983 | - |
| Share based payments | 1,345,410 | 457,020 |

## NOTE 4 STAFF NUMBERS AND COSTS

| | Group 2012 | Group 2011 | Company 2012 | Company 2011 |
|---|---|---|---|---|
| Corporate finance and administration | 9 | 13 | 9 | 8 |
| Technical | 8 | 17 | 3 | - |
| | **17** | **30** | **12** | **8** |

The aggregate payroll costs of these persons were as follows:

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Wages and salaries | 1,651,378 | 2,181,171 | 787,584 | 658,217 |
| Contributions to defined contribution plans | 61,346 | 20,502 | 61,346 | 18,239 |
| Share based payments | 1,345,410 | 894,646 | 1,345,410 | 385,406 |
| **Total staff costs** | **3,058,134** | **3,096,319** | **2,194,340** | **1,061,862** |

Included within total staff costs is $1,893,719 (2011: $2,034,458) which has been capitalised as part of deferred exploration costs.

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

## NOTE 5 REMUNERATION OF KEY MANAGEMENT PERSONNEL

| | Basic Annual Salary $ | Other Benefits[1] $ | Pensions $ | Total Remuneration $ |
|---|---|---|---|---|
| **2012** | | | | |
| **Directors** | | | | |
| Malcolm Norris | 219,760 | 12,508 | 19,778 | 252,046 |
| Cameron Wenck | 70,000 | - | - | 70,000 |
| Nicholas Mather | 183,333 | - | - | 183,333 |
| Brian Moller | 50,000 | - | - | 50,000 |
| Robert Weinberg | 50,000 | - | - | 50,000 |
| John Bovard | 50,000 | - | - | 50,000 |
| | | | | |
| **Non-Directors** | 281,684 | 7,342 | 15,777 | 304,803 |
| **TOTAL** | **904,777** | **19,850** | **35,555** | **960,182** |

| | Basic Annual Salary $ | Other Benefits[1] $ | Pensions $ | Total Remuneration $ |
|---|---|---|---|---|
| **2011** | | | | |
| **Directors** | | | | |
| Cameron Wenck | 49,627 | 55,526 | - | 105,153 |
| Nicholas Mather | 318,309 | 208,443 | - | 526,752 |
| Brian Moller | 45,906 | 44,421 | - | 90,327 |
| Robert Weinberg | 42,656 | 44,421 | - | 87,077 |
| John Bovard | 42,958 | 58,021 | - | 100,979 |
| | **499,456** | **410,832** | **-** | **910,288** |
| **Non-Directors** | 324,990 | 119,214 | 17,277 | 461,481 |
| **TOTAL** | **824,446** | **530,046** | **17,277** | **1,371,769** |

[1] Share based payments issued.

During the year no directors exercised options granted under the employee share option plan. In the prior year three directors exercised options granted under the employee share option plan The aggregate of the gains made on these exercises, calculated as the difference between the option exercise price and the mid-market price on the date of exercise was $85,717, of which $23,810 related to the gain attributable to the highest paid director.

During the year, employer's social security costs of $35,555 (2011: $17,277) were paid in respect of remuneration for key management personnel.

## NOTE 6 FINANCE INCOME AND COSTS

| | Group 2012 $ | Group 2011 $ |
|---|---|---|
| Interest income | 223,097 | 502,638 |
| **Finance income** | **223,097** | **502,638** |
| Interest cost – convertible note | - | 38,587 |
| **Finance costs** | **-** | **38,587** |

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

### 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% (2011: 30%) being applied to the loss before tax arising during the year. The differences are explained below.

| | Group 2012 $ | Group 2011 $ |
|---|---|---|
| **Tax reconciliation** | | |
| Loss before tax | (22,505,208) | (2,724,076) |
| Tax at 30% (2011: 30%) | (6,751,562) | (817,223) |
| **Effects at 30% (2011: 30%) of:** | | |
| Short term timing differences | 3,492,330 | (1,317,302) |
| Non-deductible expenses | 480,116 | 76,302 |
| Tax losses carried forward | 2,779,116 | 2,058,223 |
| **Tax on loss** | - | - |

**Factors that may affect future tax charges**

The Group has carried forward tax losses of approximately $35.0 million (2011: $25.0 million). 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 the tax 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 $22,505,208 (2011: $2,724,076) and the weighted average number of ordinary shares outstanding of 293,763,384 (2011: 260,796,495).

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 on issue during the period and prior period were not considered dilutive. At 30 June 2012 there were 12,972,000 share options on issue (2011:11,264,000).

### NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

| | Country of incorporation and operation | Principal activity | SolGold plc's effective interest | |
|---|---|---|---|---|
| | | | 2012 | 2011 |
| Australian Resources Management (ARM) Pty Ltd | Australia | Exploration | 100% | 100% |
| Acapulco Mining Pty Ltd | Australia | Exploration | 100% | 100% |
| Central Minerals Pty Ltd | Australia | Exploration | 100% | 100% |
| Solomon Operations Ltd | Solomon Islands | Exploration | 100% | 100% |
| Honiara Holdings Pty Ltd | Australia | Exploration | 100% | - |
| Guadalcanal Exploration Pty Ltd | Australia | Exploration | - | - |

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 9 INVESTMENTS IN SUBSIDIARY UNDERTAKINGS (continued)**

| | Investment in subsidiary undertakings | | |
|---|---|---|---|
| | Shares<br>$ | Loans<br>$ | Total<br>$ |
| **Cost** | | | |
| **Balance at 30 June 2010** | **11,085,656** | **22,890,454** | **33,976,110** |
| Advances in the year | - | 12,025,758 | 12,025,758 |
| **Balance at 30 June 2011** | **11,085,656** | **34,916,212** | **46,001,868** |
| Acquisitions and advances in the year | 50,000 | 13,985,435 | 14,035,435 |
| **Balance at 30 June 2012** | **11,135,656** | **48,901,647** | **60,037,303** |
| | | | |
| **Amortisation and impairment losses** | | | |
| **Balance at 30 June 2010** | **-** | **-** | **-** |
| Provision for impairment | - | - | - |
| **Balance at 30 June 2011** | **-** | **-** | **-** |
| Provision for impairment | - | (18,311,066) | (18,311,066) |
| **Balance at 30 June 2012** | **-** | **(18,311,066)** | **(18,311,066)** |
| | | | |
| **Carrying amounts** | | | |
| Balance at 30 June 2010 | 11,085,656 | 22,890,454 | 33,976,110 |
| Balance at 30 June 2011 | **11,085,656** | **34,916,212** | **46,001,868** |
| **Balance at 30 June 2012** | **11,135,656** | **30,590,581** | **41,726,237** |

The write-down of the deferred exploration and evaluation costs associated with the Guadalcanal Joint Venture lead to the Company recording a provision for impairment of $18,311,066 on the loan receivable from Australian Resource Management (ARM) Pty Ltd.

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

| | Shares<br>$ | Loans<br>$ | Total<br>$ |
|---|---|---|---|
| **Cost** | | | |
| **Balance at 30 June 2010** | **11,085,656** | **22,890,454** | **33,976,110** |
| Advances in the period from SolGold plc to ARM Pty Ltd | - | 6,998,517 | 6,998,517 |
| Advances in the period from SolGold plc to Acapulco Mining Pty Ltd | - | 1,904,623 | 1,904,623 |
| Advances in the period from SolGold plc to Central Minerals Pty Ltd | - | 3,122,618 | 3,122,618 |
| **Total investment in subsidiaries by the Company at 30 June 2011** | **11,085,656** | **34,916,212** | **46,001,868** |
| Advances in the period from SolGold plc to ARM Pty Ltd | - | 5,724,967 | 5,724,967 |
| Advances in the period from SolGold plc to Acapulco Mining Pty Ltd | - | 648,151 | 648,151 |
| Advances in the period from SolGold plc to Central Minerals Pty Ltd | - | 5,919,046 | 5,919,046 |
| Acquisition and advances during the period to Honiara Holdings Pty Ltd | 50,000 | 650,556 | 700,556 |
| Acquisition and advances during the period to Guadalcanal Exploration Pty Ltd | - | 1,042,715 | 1,042,715 |
| **Total investment in subsidiaries by the Company at 30 June 2012** | **11,135,656** | **48,901,647** | **60,037,303** |

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

### NOTE 10 PROPERTY, PLANT AND EQUIPMENT

| | Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Land and Buildings $ | Plant and Equipment $ | Motor Vehicles $ | Office Equipment $ | Furniture & Fittings $ | Total $ | Company $ |
| **Cost** | | | | | | | |
| **Balance 30 June 2010** | **208,144** | **71,326** | **115,577** | **58,839** | **14,711** | **468,597** | **11,806** |
| Additions | - | 24,663 | 152,145 | 2,431 | - | 179,239 | 18,381 |
| **Balance 30 June 2011** | **208,144** | **95,989** | **267,722** | **61,270** | **14,711** | **647,836** | **30,187** |
| Additions | - | 2,500 | - | 11,132 | 4,782 | 18,414 | 15,037 |
| **Balance 30 June 2012** | **208,144** | **98,489** | **267,722** | **72,402** | **19,493** | **666,250** | **45,224** |
| **Depreciation and impairment losses** | | | | | | | |
| **Balance 30 June 2010** | **(58,986)** | **(47,856)** | **(54,668)** | **(49,570)** | **(9,869)** | **(220,949)** | **(5,183)** |
| Depreciation charge for the year | (17,274) | (12,723) | (33,976) | (3,263) | (2,931) | (70,167) | (4,126) |
| **Balance 30 June 2011** | **(76,260)** | **(60,579)** | **(88,644)** | **(52,833)** | **(12,800)** | **(291,116)** | **(9,309)** |
| Depreciation charge for the year | (17,322) | (11,141) | (41,348) | (5,161) | (2,485) | (77,457) | (8,850) |
| **Balance 30 June 2012** | **(93,582)** | **(71,720)** | **(129,992)** | **(57,994)** | **(15,285)** | **(368,573)** | **(18,159)** |
| **Carrying amounts** | | | | | | | |
| At 30 June 2010 | 149,158 | 23,470 | 60,910 | 9,269 | 4,841 | 247,648 | 6,623 |
| At 30 June 2011 | 131,884 | 35,410 | 179,078 | 8,437 | 1,910 | 356,720 | 20,878 |
| **At 30 June 2012** | **114,562** | **26,769** | **137,730** | **14,408** | **4,206** | **297,677** | **27,065** |

The net book value of assets pledged as security for lease finance is $137,730 (2011: $179,078).

### NOTE 11 INTANGIBLE ASSETS

| | Deferred Group exploration costs $ | Deferred Company exploration costs $ |
|---|---|---|
| **Cost** | | |
| **Balance 30 June 2010** | **33,973,921** | **-** |
| Additions – expenditure | 11,592,872 | - |
| Disposals | - | - |
| **Balance 30 June 2011** | **45,566,793** | **-** |
| Additions – expenditure | 12,422,506 | 222,208 |
| Additions – business combinations | 1,718,703 | - |
| Disposals | - | - |
| **Balance 30 June 2012** | **59,708,002** | **222,208** |
| **Impairment losses** | | |
| **Balance at 30 June 2010** | **(567,415)** | **-** |
| Impairment charge | (279,038) | - |
| **Balance 30 June 2011** | **(846,453)** | **-** |
| Impairment charge | (18,606,445) | - |
| **Balance 30 June 2012** | **(19,452,898)** | **-** |
| **Carrying amounts** | | |
| At 30 June 2010 | 33,406,506 | - |
| At 30 June 2011 | **44,720,340** | **-** |
| **At 30 June 2012** | **40,255,104** | **222,208** |

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 11 INTANGIBLE ASSETS (continued)**

**Newmont Guadalcanal Venture**

In March 2009 SolGold and Australian Resource Management (ARM) entered into a joint venture agreement with Newmont Ventures Limited, a subsidiary of Newmont (NYE: NEM), one of the world's largest gold companies ("JV Agreement"). Under the terms of the JV Agreement Newmont has met the Phase 1 and Phase 2 expenditure commitments and has earned a 70% participating interest reducing SolGold's participating interest to 30%. Under the current program and budget SolGold elected to not fund its participating share and as such has diluted its position in the GJV. SolGold can elect to contribute to the exploration funding in future and manage its equity position. The defined project area comprises five (5) tenement areas on Guadalcanal, Solomon Islands. The carrying value of the Capitalised Exploration of these 5 tenement areas as at 30 June 2012 before impairment is $17,952,724 (2011: $17,895,107).

The expenditure undertaken by Newmont under the terms of the Venture Agreement has not been booked by the Company.

Newmont Ventures Limited has informed SolGold that it is resigning as manager, and will cease funding the JV. This arrangement has been treated in accordance with the accounting policy for farm-outs.

**Impairment loss**

The Group considered it necessary to make a provision for impairment of $17,952,724 as it relates to the deferred exploration assets of the Newmont Guadalcanal Venture (2011: nil). A decision was made to expense $653,721 (2011: $279,038) for exploration expenditure associated with other 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 LOANS RECEIVABLES AND OTHER NONCURRENT ASSETS**

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Loans receivables | - | 861,327 | - | 861,327 |
| Security bonds | 98,413 | 86,549 | 7,569 | 7,569 |
| | **98,413** | **947,876** | **7,569** | **868,896** |

**NOTE 13 DEFERRED TAXATION**

**Recognised deferred tax assets**

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Deferred tax assets: | | | | |
| Tax losses | 5,021,142 | 3,058,127 | - | - |
| Deferred tax liabilities: | | | | |
| Temporary timing differences arising on intangible assets | (5,021,142) | (3,058,127) | - | - |
| Net deferred taxes | - | - | - | - |

**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 30%.

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Tax losses | 12,199,225 | 4,535,760 | 2,673,800 | 1,912,787 |
| | **12,199,225** | **4,535,760** | **2,673,800** | **1,912,787** |

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

## NOTE 14 OTHER RECEIVABLES AND PREPAYMENTS

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Other receivables | 285,484 | 428,642 | 67,225 | 291,787 |
| Prepayments | 183,578 | 127,693 | 183,578 | 127,693 |
| | **469,062** | **556,335** | **250,803** | **419,480** |

## NOTE 15 CASH AND CASH EQUIVALENTS

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Cash at bank | 440,623 | 1,235,531 | 343,736 | 1,060,249 |
| Call deposits | - | 10,308,219 | - | 10,308,219 |
| **Cash and cash equivalents in the statement of cash flows** | **440,623** | **11,543,750** | **343,736** | **11,368,468** |

## NOTE 16 CAPITAL AND RESERVES

### (a) Authorised Share Capital

| | 2011 No. of Shares | 2011 Nominal Value £ |
|---|---|---|
| At 1 July 2010 – Ordinary shares | 400,000,000 | 4,000,000 |
| Creation of additional shares of £0.01 each on 8 November 2010 | 100,000,000 | 1,000,000 |
| **At 30 June 2011 – Ordinary shares** | **500,000,000** | **5,000,000** |

| | 2012 No. of Shares | 2012 Nominal Value £ |
|---|---|---|
| At 1 July 2011 – Ordinary shares | 500,000,000 | 5,000,000 |
| Creation of additional shares of £0.01 each on 28 June 2012 | 120,000,000 | 1,200,000 |
| **At 30 June 2012 – Ordinary shares** | **620,000,000** | **6,200,000** |

### (b) Changes in Issued Share Capital and Share Premium

| | No. of Shares | Nominal Value $ | Share Premium $ | Total $ |
|---|---|---|---|---|
| Ordinary shares of 1p each at 30 June 2010 | 193,266,269 | 3,870,090 | 33,263,679 | 37,133,769 |
| Shares issued at $0.09 – placement 12 July 2010 | 33,089,099 | 567,372 | 2,271,773 | 2,839,145 |
| Share issue costs charged to share premium account | - | - | (67,786) | (67,786) |
| Shares issued at $0.32 – consideration 8 November 2010 | 500,000 | 7,959 | 152,843 | 160,802 |
| Shares issued at $0.45 – placement 11 November 2010 | 54,017,153 | 863,135 | 23,336,549 | 24,199,684 |
| Share issue costs charged to share premium account | - | - | (1,153,700) | (1,153,700) |
| Shares issued at $0.38 – consideration 24 December 2010 | 900,000 | 13,832 | 333,499 | 347,331 |
| Shares issued at $0.46 – remuneration 28 April 2011 | 913,287 | 13,948 | - | 13,948 |
| Shares issued at $0.15 – consideration 30 April 2011 | 1,222,000 | 18,628 | 167,612 | 186,240 |
| Shares issued at $0.15 – consideration 24 June 2011 | 715,681 | 10,962 | 97,821 | 108,783 |
| **Ordinary shares of 1p at 30 June 2011** | **284,623,489** | **5,365,926** | **58,402,290** | **63,768,216** |

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 16 CAPITAL AND RESERVES (continued)**

**(b) Changes in Issued Share Capital and Share Premium (continued)**

| | No. of Shares | Nominal Value $ | Share Premium $ | Total $ |
|---|---|---|---|---|
| Ordinary shares of 1p each at 30 June 2011 | 284,623,489 | 5,365,926 | 58,402,290 | 63,768,216 |
| Shares issued at $0.12 – placement 6 March 2012 | 28,758,445 | 425,608 | 3,003,414 | 3,429,022 |
| Share issue costs charged to share premium account | - | - | (189,571) | (189,571) |
| **Ordinary shares of 1p at 30 June 2012** | **313,381,934** | **5,791,534** | **61,216,133** | **67,007,667** |

**Potential issues of ordinary shares**

At 30 June 2012 the Company had 12,972,000 options outstanding for the issue of ordinary shares, as follows:

**Options**

Share options are granted to employees under the company's Employee Share Option Plan ("ESOP"). The employee share option plan is designed to align participants' interests with those of shareholders by increasing the value of the Company's shares.

When a participant ceases employment prior to the vesting of their share options, the share options are forfeited after 90 days unless cessation of employment is due to termination for cause, whereupon they are forfeited immediately. The Company prohibits key management personnel from entering into arrangements to protect the value of unvested ESOP awards.

The contractual life of each option granted is generally three (3) years. There are no cash settlement alternatives.

Each option can be exercised from vesting date to expiry date for one share with the exercise price payable in cash.

| Date of grant | Exercisable from | Exercisable to | Exercise prices | Number granted | Number at 30 June 2012 |
|---|---|---|---|---|---|
| 29 April 2011 | Longer of 12 months from grant or when the 30 day volume weighted average price ("VWAP") of the company share price reaches £0.50. | 28 April 2014 | £0.50 | 5,324,000 | 5,324,000 |
| 31 May 2011 | Longer of 12 months from grant or when the 30 day VWAP of the company share price reaches £0.50. | 30 May 2014 | £0.50 | 5,940,000 | 5,148,000 |
| 28 June 2012* | 12 months from date of grant | 23 July 2015 | £0.14 | 1,250,000 | 1,250,000 |
| 28 June 2012* | 12 months from date of grant | 23 July 2015 | £0.28 | 1,250,000 | 1,250,000 |
| | | | | **13,764,000** | **12,972,000** |

* The options were granted for accounting purposes on 28 June 2012, following approval at the AGM and formally issued on 23 July 2012.

**NOTE 16 CAPITAL AND RESERVES (continued)**

**Convertible Redeemable Preference Shares**

Convertible redeemable preference shares are granted under the Company's Employee Share Plan, which is designed to enable the Company to secure and retain skilled and experienced personnel on appropriately incentivised terms.

A convertible redeemable preference share ("CRPS") will be issued at 1p each. Each CRPS will entitle the identified employees upon achievement of certain performance criteria, to convert the CRPS into one ordinary share, and such employees will in addition be entitled to subscribe for further ordinary shares, granting the employees, in total (following conversion and exercise of the subscription rights), 1000 ordinary shares per converted CRPS. The performance criteria in each instance have been structured to focus on performance in areas including project operational deliverable, share price and corporate performance, and are aligned with delivering shareholder growth.

A total of 10,700 CRPS were granted following approval at the AGM on 28 June 2012 and formally issued on 23 July 2012. The CRPS have an issue price of 1p each and the underlying ordinary shares had a price of 3.30p each, calculated as the volume weighted average trade price of each ordinary share for the 5 trading days immediately prior to the day upon which the CRPS were issued.

The issue of CRPS has been treated as an option grant in accordance with IFRS 2, *Share Based Payments*. In line with IFRS 2, *Share Based Payments*, the related expense for the CRPS is recorded from the date of grant through to when the performance criteria have been met.

**Warrants**

There were no warrants outstanding as at 30 June 2012.

**Share options issued**

On 28 June 2012, the Company granted 2,500,000 unlisted share options to certain employees and directors, respectively, under its employee share option plan. The options were issued free of charge and 1,250,000 options are exercisable at 14 pence per ordinary share and 1,250,000 options are exercisable at 28 pence per ordinary share. The options vest over a 12 month period from grant and can be exercised from 28 June 2013 through to 23 July 2015.

**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 2012**

**NOTE 17 FINANCE LEASE LIABILITIES**

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| Minimum lease payments | | | | |
| - Due within one year | 63,552 | 63,552 | - | - |
| - Between one and two years | 40,759 | 63,516 | - | - |
| - Between two and five | 49,723 | 90,482 | | |
| - Later than five years | - | - | - | - |
| Total minimum lease payments | 154,034 | 217,550 | - | - |
| - Future finance charges | (21,174) | (37,494) | - | - |
| Lease liability | 132,860 | 180,056 | - | - |
| - **Current Liability due within one year** | **52,362** | **47,234** | **-** | **-** |
| - **Non-current liability due between one and five years** | **80,498** | **132,822** | **-** | **-** |

Lease liabilities are secured over the assets to which they relate.

**NOTE 18 TRADE AND OTHER CURRENT PAYABLES**

| | Group 2012 $ | Group 2011 $ | Company 2012 $ | Company 2011 $ |
|---|---|---|---|---|
| **Current** | | | | |
| Trade payables | 1,290,584 | 617,106 | 725,160 | 94,897 |
| Other payables | 220,342 | 148,163 | 60,342 | 46,069 |
| Accrued expenses | 136,233 | 115,964 | 130,833 | 110,564 |
| | **1,647,159** | **881,233** | **916,335** | **251,530** |

**NOTE 19 EMPLOYEE BENEFITS**

**Share-based payments**

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

| | Weighted average exercise price 2012 | Number of options 2012 | Weighted average exercise price 2011 | Number of options 2011 |
|---|---|---|---|---|
| Outstanding at the beginning of the period | £0.50 | 11,264,000 | £0.37 | 6,376,670 |
| Lapsed during the period | £0.50 | (792,000) | £0.57 | (3,038,767) |
| Granted during the period | £0.21 | 2,500,000 | £0.50 | 11,264,000 |
| Exercised during the period | - | - | £0.16 | (3,337,903) |
| Outstanding at the end of the period | £0.45 | 12,972,000 | £0.50 | 11,264,000 |
| Exercisable at the end of the period | £0.50 | 10,472,000 | - | - |

The options outstanding at 30 June 2012 have an exercise price of £0.14 - £0.50 (2011: £0.50) and a weighted average contractual life of 2.08 years (2011: 2.88 years).

# NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 19 EMPLOYEE BENEFITS (continued)**

**Share-based payments (continued)**

Share options held by Directors are as follows:

| Share options held | At 30 June 2012 | At 30 June 2011 | Option Price | Exercise Period |
|---|---|---|---|---|
| **Malcolm Norris** | 600,000 | - | 14p | 28/06/13 – 28/06/15 |
| | 600,000 | - | 28p | 28/06/13 – 28/06/15 |
| **Nicholas Mather** | 1,200,000 | 2,200,000 | 50p | 31/05/12 – 30/05/14 |
| **Cameron Wenck** | 1,100,000 | 1,100,000 | 50p | 31/05/12 – 30/05/14 |
| **Brian Moller** | 880,000 | 880,000 | 50p | 31/05/12 – 30/05/14 |
| **Robert Weinberg** | 880,000 | 880,000 | 50p | 31/05/12 – 30/05/14 |
| **John Bovard** | 880,000 | 880,000 | 50p | 31/05/12 – 30/05/14 |

The total number of options outstanding at year end is as follows:

| Share options held at 30 June 2012 | Share options held at 30 June 2011 | Option price | Exercise periods |
|---|---|---|---|
| 5,324,000 | 5,324,000 | £0.50 | 29/04/12 – 28/04/14 |
| 5,148,000 | 5,940,000 | £0.50 | 31/05/12 – 30/05/14 |
| 1,250,000 | - | £0.14 | 28/06/13 – 28/06/15 |
| 1,250,000 | - | £0.28 | 28/06/13 – 28/06/15 |
| **12,972,000** | **11,264,000** | | |

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.

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 19 EMPLOYEE BENEFITS (continued)**

**Share-based payments (continued)**

| Fair value of share options and assumptions | 2012 | | | 2011 |
|---|---|---|---|---|
| | | | Director | Employee |
| | £0.28 Options | £0.14 Options | £0.50 Options | £0.50 Options |
| | 28 June 2012 | 28 June 2012 | 31 May 2011 | 29 April 2011 |
| Fair value at issue date | £0.0137 | £0.0199 | £0.1441 | £0.1906 |
| Exercise price | £0.28 | £0.14 | £0.50 | £0.50 |
| Expected volatility | 102.9% | 102.9% | 151.4% | 151.4% |
| Option life | 3.00 years | 3.00 years | 3.00 years | 3.00 years |
| Expected dividends | 0.00% | 0.00% | 0.00% | 0.00% |
| Risk-free interest rate (short-term) | 0.79% | 0.79% | 2.74% | 2.88% |

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 20 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 loans and 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 the previous year.

During the year ended 30 June 2012 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.

| | Group 2012 $ | Group 2011 $ |
|---|---|---|
| Solomon Island dollar (SBD) | (25,463) | (13,917) |

The main currency exposure relates to the effect of re-translation of the Group's assets and liabilities in Solomon Island dollar (SBD). A 10% change in the SBD/A$ exchange rate would give rise to a change of approximately $2,546 (2011: $1,392) 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.

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 20 FINANCIAL INSTRUMENTS (GROUP AND COMPANY) (continued)**

*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 2012, the Group had $427,777 in cash accounts with Macquarie Bank Limited in Australia, $10,317 in cash accounts with the ANZ Bank in Honiara, Solomon Islands and $2,529 in cash accounts with Westpac Banking Corporation in Honiara, Solomon Islands. Including other receivables, the maximum exposure to credit risk at the reporting date was $824,520 (2011: $12,920,268).

The group has very low credit risk other than the loans receivable of $861,327 in the prior financial year, whose recoverability is underpinned by the success of the exploration activities undertaken by the entities.

*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 17.

The Company had a $1,000,000 liability to DGR Global in the form of a Convertible Note. The Convertible Note accrued interest at the rate of 10% per annum and was repaid on 19 November 2010.

*Interest rate risks*

The group's and company's policy is to retain its surplus funds on the most advantageous term of deposit available up to twelve month's maximum duration. The increase/decrease of 2% in interest rates will impact the group's income statement by a gain/loss of $8,812 and the company's income statement by $6,875. The group considers that a 2% +/- movement interest rates represent reasonable possible changes.

*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 detail 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 21 COMMITMENTS**

On 10 April 2012 the Company signed a binding Letter of Intent ("LOI") whereby SolGold may acquire up to 85% of Cornerstone's 100% owned 5,000 hectare Cascabel gold-copper-silver property in northern Ecuador.

Under the terms of the LOI, SolGold is entitled to earn an initial 65% interest in the Cascabel property by:

(1) making an initial CAD$200,000 private placement in Cornerstone common shares based on the TSXV 30 day volume weighted average price ("VWAP") within 30 days of the execution of a definitive option agreement embodying the terms of the LOI. This placement took place on 24 August 2012;

(2) spending US$7.8 million over 4 years (including US$800,000 in the first year if drilling commences);

(3) within 60 days of the commencement of drilling on Cascabel, making a private placement in Cornerstone common shares of CAD$150,000 and issuing SolGold ordinary (i.e., common) shares to Cornerstone with a value equal to CAD$150,000 (both based on 30 day VWAP); and

(4) making a final private placement in shares of Cornerstone of CAD$500,000 priced at 30 day VWAP plus 20% on or before the 4th anniversary of the execution of the definitive option agreement.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 21 COMMITMENTS (continued)**

The Company also 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 | 13 Months to 5 Years | Later than 5 Years |
|---|---|---|---|
| Ecuador | 787,479 | 6,890,440 | - |
| Solomon Islands | 867,857 | 200,000 | - |
| Queensland | 941,500 | 891,333 | - |
| | 2,596,836 | 7,981,773 | - |

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

**NOTE 22 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) The Company had a commercial agreement with Samuel Capital Ltd ("Samuel") for the engagement of Nicholas Mather as CEO of the Company. Mr Mather resigned as CEO of the company effective 31 October 2011. Mr Mather was appointed Executive Director at this time. For the year ended 30 June 2012 \$183,333 was paid or payable to Samuel (2011: \$318,309). These amounts are included in Note 5 (Remuneration of Key Management Personnel). The total amount outstanding at year end is \$37,500 (2011: \$20,866).

(ii) The Company has a long-standing commercial arrangement with DGR Global Ltd (formerly D'Aguilar Gold Ltd), an entity associated with Nicholas Mather (Director) and Brian Moller (Director), for the provision of various services, whereby DGR Global 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 DGR Global for any expenses incurred by it in providing the Services. For the year ended 30 June 2012 \$378,000 was paid or payable to DGR Global (2011: \$313,965) for the provision of administration, management and office facilities to the Company during the year. The total amount outstanding at year end was \$nil (2011: \$nil).

(iii) Mr Brian Moller (a Director), is a partner in the Australian firm Hopgood Ganim lawyers. For the year ended 30 June 2012, Hopgood Ganim were paid \$208,016 (2011: \$188,079) 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 \$81,968 (2010: \$66,281).

(iv) Sterling Mining Group, an entity associated with Mr John Bovard (a Director), for the year ended 30 June 2012, was paid \$11,900 (2011: \$38,080) for Mr Bovard's consultancy services to the company. The services were based on normal commercial terms and conditions.

b) Share and Option transactions of Directors are shown under Notes 5 and 19.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 22 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 19).

*Subsidiaries*

The Company has an investment in subsidiaries balance of $41,726,237 (2011: $46,001,868). 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.

## NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 23 ASSET ACQUISITIONS**

**Honiara Holdings Pty Ltd**

On 17 February 2012, SolGold plc acquired 100% of the capital of Honiara Holdings Pty Ltd, an Australian company with exploration assets in the Solomon Islands for cash consideration of $1. The Company has also converted debt to equity of $49,999. In accordance with IFRS 3, this transaction has been treated as an asset acquisition. The following table shows the assets acquired, liabilities assumed and the purchase consideration at acquisition date.

**Identifiable assets and liabilities**

| | Acquiree's carrying amount $ | Fair Value $ |
|---|---|---|
| Cash | 1,071 | 1,071 |
| Intangible Assets - exploration expenditure | 750,346 | 754,818 |
| Trade creditors | (4,860) | (4,860) |
| Unsecured loans | (751,029) | (751,029) |
| | (4,472) | - |
| Less: Non-controlling interest | | - |
| **Identifiable assets acquired and liabilities assumed** | | **-** |

**Guadalcanal Exploration Pty Ltd**

On 18 April 2012, SolGold plc entered into a "Put and Call Option Agreement" with Guadalcanal Exploration Pty Ltd. Under the "Put and Call Option Agreement", SolGold can elect to purchase the shares of Guadalcanal Exploration Pty Ltd at any time during the option period, resulting in SolGold having the potential to govern the financial and operating policies of Guadalcanal Exploration Pty Ltd. The following table shows the assets acquired and liabilities assumed at acquisition date.

**Identifiable assets and liabilities**

| | Acquiree's carrying amount $ | Fair Value $ |
|---|---|---|
| Cash | 4,782 | 4,782 |
| Intangible assets - exploration expenditure | 963,885 | 963,885 |
| Other assets | 2,000 | 2,000 |
| Trade creditors | (5,760) | (5,760) |
| Unsecured loans | (1,010,939) | (1,010,939) |
| | (46,032) | (46,032) |
| Less: Non-controlling interest | | 46,032 |
| **Identifiable assets acquired and liabilities assumed** | | **-** |

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**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.

**Cascabel Joint Venture**

SolGold and Cornerstone have agreed to an aggressive first year exploration program totalling US$2.8M (covering the period May 2012 through April 2013). This staged program includes 1:25,000 scale reconnaissance geological mapping, prospecting, stream sediment and rock sampling, and an airborne magnetic and radiometric survey which will cover the entire property. Detailed exploration will follow over the most prospective areas. Identified targets will be prioritized for drill testing in late 2012, pending receipt of requisite permits. An Environmental Impact Study required for advanced stage exploration (drilling) will be carried out in late 2012 and a community relations program is currently being implemented. Exploration on Cascabel is at an early stage and the carrying value of $0.22 million is considered to be unimpaired.

**Guadalcanal Joint Venture**

Under the terms of the JV Agreement Newmont has met the Phase 1 and Phase 2 expenditure commitments and has earned a 70% participating interest reducing SolGold's participating interest to 30%. Under the current program and budget SolGold elected to not fund its participating share and as such has diluted its position in the GJV. SolGold can elect to contribute to the exploration funding in future and manage its equity position. The Guadalcanal Tenements comprise of; Koloula (PL 02/05), Central Guadalcanal (PL 03/05), Mbetilonga (PL 04/05), Sutakiki (PL 05/05) and Kuma (PL 08/06). Newmont currently manage the Guadalcanal Joint Venture.

The exploration program in the current financial year comprised activities across 4 of the 5 prospecting licenses with the focus being on Sutakiki and Mbetilonga. Exploration activities within the Guadalcanal Tenements included exploration drilling, regional BLEG sampling and the compilation and interpretation of hyper spectral analyses to map alteration mineral assemblages.

Newmont Ventures Limited has informed SolGold that it is resigning as manager, and will cease funding the JV. Consequently, all tenement areas comprising the JV were assessed for impairment.

## NOTES TO THE FINANCIAL STATEMENTS
**For the year ended 30 June 2012**

**NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS**

*Koloula PL 02/05*

Exploration on Koloula PL 02/05 is still at an early stage. 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. However, given that the tenement expires in February 2013 and Newmont's decision to resign as manager of the JV and not to fund ongoing exploration, the carrying value of $4.05 million is considered to be impaired. Accordingly, an impairment charge of $4.05 million was recognised during the year ended 30 June 2012.

*Central Guadalcanal PL 03/05*

Exploration on Central Guadalcanal PL 02/05 is still at an early stage. Previous rock chip channel sampling of anomalies in the tenement by previous workers and SolGold's wholly owned subsidiary ARM and by the Guadalcanal Joint Venture, demonstrates potential for the presence of significant gold occurrences. 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. However, given that the tenement expires in February 2013 and Newmont's decision to resign as manager of the JV and not to fund ongoing exploration, the carrying value of $0.43 million is considered to be impaired. Accordingly, an impairment charge of $0.43 million was recognised during the year ended 30 June 2012.

*Mbetilonga PL 04/05*

Exploration on Mbetilonga PL 04/05 is still at an early stage and the drill testing of the key targets was ongoing in 2012 with the drilling of 2 diamond drill holes. Five holes were previously drilled into two prospects in the tenement, with inconclusive results by SolGold's wholly owned subsidiary ARM and five holes have been drilled by the Guadalcanal Joint Venture, with encouraging 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. However, given that the tenement expires in February 2013 and Newmont's decision to resign as manager of the JV and not to fund ongoing exploration, the carrying value of $4.22 million is considered to be impaired. Accordingly, an impairment charge of $4.22 million was recognised during the year ended 30 June 2012.

*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 potential for 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. However, given that the tenement expires in February 2013 (with the potential to be renewed for another 2 years but no such renewal application being lodged) and Newmont's decision to resign as manager of the JV and not to fund ongoing exploration, the carrying value of $8.94 million is considered to be impaired. Accordingly, an impairment charge of $8.94 million was recognised during the year ended 30 June 2012.

*Kuma PL 08/06*

Exploration on Kuma PL 08/06 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 deliver exploration success. 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. However, given that the tenement expires in December 2012 (with the potential to be renewed for another 2 years but no such renewal application being lodged) and Newmont's decision to resign as manager of the JV and not to fund ongoing exploration, the carrying value of $0.31 million is considered to be impaired. Accordingly, an impairment charge of $0.31 million was recognised during the year ended 30 June 2012.

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 24 ACCOUNTING ESTIMATES AND JUDGEMENTS**

**SolGold 100% owned Projects**

*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 $0.63 million is considered to be unimpaired.

*East Guadalcanal PL 02/08*

Exploration on East Guadalcanal is at an early stage. However, subsequent to year-end, a decision was made to relinquish the tenement. Accordingly, the carrying value of $0.15 million is considered to be impaired and an impairment charge of $0.15 million was recognised during the year ended 30 June 2012.

*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 occurrences. Initial drilling commenced and has defined several gold-copper targets. The company is actively seeking a JV partner to pursue drilling of gold-copper targets defined in the 2011 exploration program. The carrying value of $12.73 million is considered to be unimpaired.

*Acapulco Mining Projects*

Acapulco comprises 10 granted tenements and one application. The granted tenements comprise 304 sub-blocks (circa 912km$^2$) and 100 sub-blocks (circa 300km$^2$) 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 2010 and September 2012 a total of 98 holes, equivalent to 9730m have been drilled on the Acapulco Tenements. Since May 2006 a total of 283 holes, equivalent to 24,377.8m 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 is seeking a joint venture partner to further progress these projects.

The aggregated carrying value of $8.58 million is considered to be unimpaired.

*Central Minerals Projects*

Central comprises 18 granted tenements and five applications. The granted tenements comprise 521 sub-blocks (circa 1563km$^2$) and 373 sub-block (circa 1119km$^2$) 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 2010 and September 2012 a total of 177 holes, equivalent to 28,118.72m have been drilled on the Central Tenements. Since October 2007, a total of 529 holes, equivalent to 62,640.42m have been drilled on the Tenements.

On 23 May 2012, SolGold announced an updated Indicated and Inferred resource estimate of 18.7 million tonnes at 0.9 g/t gold equivalent (gold + silver) for 550,146 ounces of gold equivalent (296,657 ounces of gold and 10,137,736 ounces of silver). Drilling continued at Rannes, initially at Kauffmans Prospect, and focussed on drilling targets outside of the newly defined resource block model. This targeted higher grade domains and shallower zones of lateral resource extension. Several other prospects exist that contain known gold mineralisation that has not yet been included in the resource estimate. Drilling of these prospects will be followed-up.

The aggregated carrying value of $16.10 million is considered to be unimpaired.

# NOTES TO THE FINANCIAL STATEMENTS

**For the year ended 30 June 2012**

**NOTE 25 CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets and liabilities at 30 June 2012 (2011: none).

**NOTE 26 SUBSEQUENT EVENTS**

On 17 July 2012, the Company issued 33,333,333 shares at £0.04 to raise $2 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 23 July 2012, the Company issued a total of 10,700 Convertible Redeemable Preference Shares (CRPS) to certain executive employees subsequent to the approvals granted by shareholders at the Company's AGM on 28 June 2012.

On 24 August 2012, the Company made a C$200,000 private placement in Cornerstone Capital Resources Inc. based on the TSXV 30 day volume weighted average price in accordance with the signed definitive option agreement.

On 9 October 2012, the Company issued 55,555,556 shares at £0.035 to raise $3 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

On 12 October 2012, the Company issued an additional 21,972,143 shares at £0.035 to raise $1.14 million pursuant to a private placement to progress its exploration and project development efforts across its portfolio of projects in the Solomon Islands, Ecuador and Queensland, Australia.

The Directors are not aware of any other significant changes in the state of affairs of the Group or events after the balance date that would have a material impact on the consolidated financial statements.