



ABN 96 109 492 373

---

## AUSTRALIAN SOLOMONS GOLD GOLD RIDGE DEVELOPMENT AND FINANCE UPDATE

**THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR FOR DISSEMINATION IN THE UNITED STATES**

**(TSX:SGA) TORONTO, Ontario (February 27, 2009)** - Australian Solomons Gold Limited (“ASG” or the “Company”) is pleased to provide a progress report on its redevelopment and finance activities, to bring the Gold Ridge Project into production by July 2010.

The Company has made significant progress on all aspects of the proposed redevelopment, including the following highlights:

- The remaining payment obligations to the vendor of the Gold Ridge Project have been renegotiated. Potential payment obligations of up to US\$20 million have been replaced by a cash payment of US\$2.5 million and an ongoing payment based on future production of US\$15 per ounce. All other financial obligations are also now fulfilled
- GR Engineering Services Pty Ltd (“GRES”) have been selected as preferred contractor to carry out the engineering, procurement and construction activities (“EPC”); the preferred contractor has completed new capital and operating cost estimates and revised development schedules
- The Company recently appointed Robert (Bob) Thorpe to head the Company’s owner’s team; Bob and his team has completed a revision to all owner costs, and worked with GRES to complete their cost estimates and schedules
- Arrangements for project finance are progressing with several multi-lateral agencies; due diligence activities will commence in March and a formal commitment to invest up to US\$50 million (in debt and some equity) is expected by April 2009

### Vendor Obligations

Pursuant to the original acquisition agreement for the Gold Ridge Project, ASG paid an initial payment of US\$20 million and committed to two further payments. The timing and extent of the further payments was dependent on development timing and gold prices at the time of financing, and other conditions. These future obligations have recently been renegotiated as follows:

- a) A cash payment of US\$2.5 million was made on 27 February 2009;
- b) The Company has provided a production payment stream to the vendor, at the rate of US\$15 per ounce recovered. This is an ongoing payment and applies to all production sourced from the Gold Ridge Project mining lease (the “Mining Lease”); and
- c) The production payment obligation is being secured by a mining mortgage over the Mining Lease, and an ASG limited guarantee of payment performance by its subsidiary, Gold Ridge Mining Limited, the owner of the Mining Lease. The ASG guarantee is not assignable, however the production payment interest may be assigned to third parties

The above transaction removes an amount of US\$17.5 million of current and non-current liabilities from the Company’s balance sheet. This also assists considerably in the ability of ASG obtaining credit facilities for project finance associated with the proposed redevelopment of the Gold Ridge Project.

### **Preferred Contractor**

In the second half of 2008 the Company selected GR Engineering Services Pty Ltd (“GRES”) as its preferred contractor for refurbishment of the existing plant and facilities at the Gold Ridge Project. The predecessor firm, JR Engineering Services Pty Ltd, built the original plant and infrastructure at the Gold Ridge Project, and GRES retain many of the original engineers responsible for that work. An initial Total Cost Estimate was provided by GRES in December 2008; as a result, the Company proceeded to have GRES complete a further review and optimization to produce the estimated cost for use in project financing activities, and the proposed contractual arrangements between ASG and GRES. That new estimate was completed this week, and together with owner costs associated with the redevelopment, the pre-production costs amount to approximately US\$105 million. This amount includes a contingency allowance of approximately US\$13 million and provides for refurbishment of the existing 2.0 million tonnes per annum (“Mtpa”) processing facility and to increase the throughput to 2.5Mtpa. A number of additional features have been allowed for by GRES, designed to increase availability, operating efficiency and operating cost improvements, and modest improvements in overall recovery.

Owner’s costs include some site related activities working in conjunction with GRES, and construction of houses for the village relocation required, dewatering of the existing tailings storage facility, construction of access and haul roads, continued employment of existing personnel and the incremental build up of operating personnel required for training and operational status.

GRES have reviewed all process operating cost parameters; the Company’s mining consultants have revised all mining operating costs. The result is an estimated new cash operating costs averaging US\$443 for the life of mine, which remains at 7 years, and an average US\$395 over the first three years of operations.

All refurbishment and operating parameters were based on the Feasibility Study prepared and released in April 2007, and in accordance with the NI 43-101 report filed at that time. The current estimate by GRES will not be the subject of a new NI 43-101 report as the underlying assumptions and parameters associated with the redevelopment of the Gold Ridge Project remain as previously reported. The only change to date is with regard to the revised costs, both for capital and operating areas.

### **Owner’s Team**

Since late 2008 the Company has been increasingly focused on developing in-house capabilities to manage the redevelopment activities. To assist in this important task the Company was fortunate enough to recruit Robert (Bob) Thorpe, who was Ausenco Limited's founding Managing Director until retiring from the role in 1999. Prior to the formation of Ausenco in 1991, Bob held Director and General Manager positions in engineering and operations management companies in Queensland and Western Australia. Bob has over thirty-three years experience in design, engineering, project management, construction, operation and maintenance of large scale processing plants in Australia and internationally. He also has significant experience in contractual and commercial management, estimating systems and corporate risk management.

The team headed by Bob as Project Director has included a number of consultant positions, bringing to the Company various engineering and estimation and scheduling skills necessary to update and clarify the tasks associated with redevelopment to be undertaken by the Company, and in parallel with the GRES refurbishment activities. Owner team activities include the construction of housing for the relocation of landowners, the dewatering of the tailings storage facility, the construction of access and haul roads for mining and pre-stripping, and provision of ongoing personnel from it existing workforce that will assist with a number of localized activities, including basic construction of additional buildings and civil works required as part of redevelopment.

### **Financing**

Despite the onset of the global credit crisis in late 2008 and the significant effect that has had on commercial lending worldwide, the Company has been able to continue dialogue with several organisations that have a focus on assisting the development of projects in developing countries. The Solomon Islands continues to be economically deprived and reliant on foreign aid to assist in the recovery process of its economy. The Gold Ridge Project has and continues to receive strong support from the Solomon Island government as it will provide a major stimulus to the local economy

