

## King Solomon Mines (ASX: KSO)

### Exploring for large gold deposits in Inner Mongolia, China

King Solomon Mines (ASX: KSO) is a gold ('Au') and copper ('Cu') explorer with a focus on Inner Mongolia, China. The Company has identified and acquired several properties along the geological trend from Ivanhoe's (ASX: IVA) giant Oyu Tolgoi mine in Mongolia. All of KSO's properties have the potential for the discovery of large-scale deposits. In 2011, KSO discovered the Mud-house prospect, which hosts an Exploration Target of 100,000-200,000oz Au through a central 600m section of >1.8km open-ended gold anomaly. Currently subject to a 6,000m in-fill drilling program, KSO intends to sell the property that hosts Mud-house at a target price of US\$150/oz Au, once a JORC-compliant resource has been estimated (targeting early 2013). The cash from the sale is likely to be used to fund a special dividend as well as exploration of the recently-discovered East Ridge prospect at Naogaoshandu, where both float and rock chip sampling has returned high-grade visible gold. A program of trenching has been completed at Naogaoshandu, with an induced polarisation (IP) survey and an initial drilling program to follow.

#### Share Purchase Plan

<b>Offer Structure</b>	<ul style="list-style-type: none"> <li>Up to 49,886,265 shares at A\$0.0165/share free of brokerage and payable in full on application</li> <li>Available to KSO's investors registered as at 28 August 2012</li> <li>Eligible shareholders will be able to take up to a maximum value of A\$15,000 and a minimum of A\$660</li> <li>The offer opens at 7.00am Sydney time on 7 September 2012 and closes at 5.00pm on 3 October 2012</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Exploration at the Mud-house and East Ridge prospects</li> <li>General working capital requirements</li> </ul>

#### Capital Structure – Pre SPP

<b>Share Price</b>	<b>A\$0.0165</b>
Fully Paid Ordinary Shares	197.2m
Total Options	6.5m
In-The-Money Options	-
<b>Fully-Diluted Market Cap</b>	<b>A\$3.3m</b>
Less: Cash	A\$0.61m
Add: Debt	-
<b>Enterprise Value</b>	<b>A\$2.6m</b>

#### Board & Management

Chairman	John Quinn
Managing Director	Stephen McPhail
Executive Director	Bruce Bell
Executive Director	La Fu
Non-Executive Director	Chris Castle

#### Top Shareholders

HSBC Custody Nominees	6.3%
Forsyth Barr Custodians	6.0%
Fu La	4.5%
<b>Top 20 Total</b>	<b>41.7%</b>

#### Investment Highlights

<b>Active gold explorer</b>	<ul style="list-style-type: none"> <li>KSO has spent circa A\$15 million on its projects to date</li> <li>Success was achieved with the discovery of gold at the Mud-house prospect in 2011</li> <li>Recently, the company has announced a very promising series of rock chip samples with visible gold at East Ridge prospect</li> </ul>
<b>Resource potential</b>	<ul style="list-style-type: none"> <li>A 6,000m in-fill drilling program ending in November 2012 at Mud-house will assess the continuity of the mineralisation required for a preliminary resource assessment</li> <li>Past drilling assays have highlighted high grade gold intercepts, resulting in an Exploration Target of 100-200koz Au (1-1.5Mt at 3-5 g/t Au)</li> <li>The initial resource is expected to be announced in February 2013</li> </ul>
<b>Promising exploration results</b>	<ul style="list-style-type: none"> <li>At the Naogaoshandu Gold project, KSO identified rock chip containing high-grade and visible gold samples at the East Ridge prospect</li> <li>A program of trenching has been completed with an IP survey and an initial drill program to follow</li> </ul>
<b>Asset sale opportunity</b>	<ul style="list-style-type: none"> <li>KSO holds that gold producers in the area may be willing to purchase the Mud-house resource (if defined)</li> <li>Past transactions in the area was conducted at an average price of US\$60/oz, when gold price was around US\$850/oz, at current gold price (~US\$1700/oz), KSO could be looking at a US\$150/oz pay-off</li> <li>At this price, a resource of 100,000oz Au would be worth US\$15 million</li> </ul>

### Sonid North Project

<b>Location</b>	<ul style="list-style-type: none"> <li>• Located in the Sonid Zuoqi County of Inner Mongolia.</li> <li>• The project hosts the Mud-house and the Sandflats prospects</li> </ul>
<b>Exploration</b>	<ul style="list-style-type: none"> <li>• Drilling of the Mud-house prospect in 2011 resulted in the discovery of a 600m zone with numerous gold intercepts under sand cover</li> <li>• Initial Exploration Target of 100-200koz Au (1-1.5Mt at 3-5 g/t Au)</li> <li>• In-fill drilling of 6,000m is under way with the goal of establishing an initial JORC-compliant resource</li> <li>• Results from the drilling should be available by December, targeting Feb 2013 for initial resource estimate</li> </ul>
<b>Sale opportunity</b>	<ul style="list-style-type: none"> <li>• The company intends to pursue a sale of this project in early 2013 to a major mining company, who has recently shown interest</li> </ul>

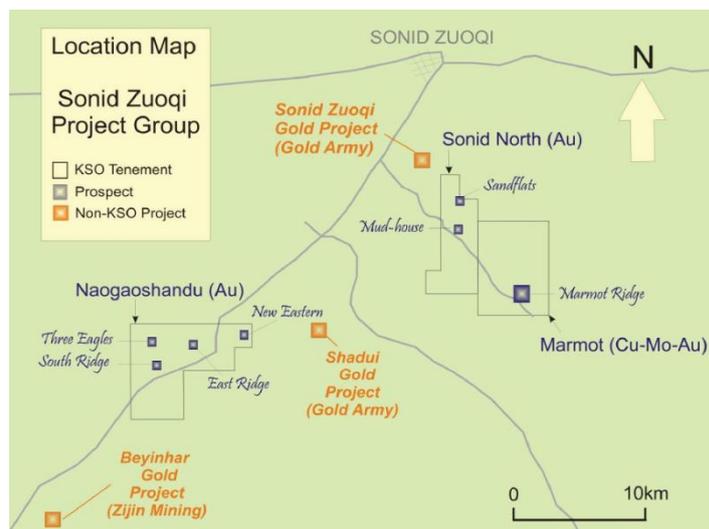
### Naogaoshandu Gold Project

<b>Location</b>	<ul style="list-style-type: none"> <li>• 47 km<sup>2</sup> of exploration licences in the Sonid Zuoqi County of Inner Mongolia</li> <li>• Located ~14km northeast of the Beyinhar gold deposit</li> </ul>
<b>Exploration</b>	<ul style="list-style-type: none"> <li>• The company recently announced the discovery of a series of high-grade gold samples with visible gold from rock chip sampling at the East Ridge prospect</li> <li>• The samples came from veining and meta-sediments</li> <li>• Exploration Director Bruce Bell commented, "that the early samples at East Ridge are the most spectacular that he had seen across the 600km<sup>2</sup> Sonid Zuoqi goldfields"</li> <li>• A program of trenching has been completed with an IP survey and an initial drill program to follow</li> </ul>

### Inner Mongolia – Exploration Potential

- Government records reporting 70 categories of minerals identified in 860 deposits around the region
- These include ferrous and non-ferrous metals, precious and rare metals, rare earths (REE), native elements, metallurgical raw materials, fossil fuels, chemical raw materials, building materials and other non-metals
- The known deposits of iron, rare earths, niobium, zirconium and coal are large
- The rare-earths deposit at Bayan Obo is the largest known such deposit in the world and accounts for 70% of the world's resource
- Its coal reserves are the second largest in China and the Erdos natural gas field is China's largest onshore field
- Despite the exciting geological environment, exploration within the province remains relatively immature
- This is a consequence of a number of factors including the historic limitation of mineral exploration and access to government agencies

### Sonid District Projects



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