

KING SOLOMON MINES LIMITED

FINANCIAL REPORT

FOR HALF YEAR ENDED 30 SEPTEMBER 2014

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KING SOLOMON MINES LIMITED

DIRECTORS' REPORT

FOR HALF YEAR ENDED 30 SEPTEMBER 2014

Your directors have pleasure in presenting the interim financial report for the half year ended 30 September 2014.

DIRECTORS

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

Simon T. O'Loughlin (Non-Executive Chairman) – appointed 24 September 2014

Stephen J. McPhail (Managing Director)

Christopher D. Castle (Non-Executive Director)

Simon J. R. Taylor (Non-Executive Director) – appointed 24 September 2014

Fu La (Executive Director) – resigned 7 October 2014

REVIEW OF OPERATIONS

The net loss of the Group for the half year ended 30 September 2014 amounted \$767,418 (half year ended 30 September 2013: \$220,663)

Subsequent to the end of the half year, the company was successful in raising \$919,188 in funds through a fully underwritten renounceable rights issue.

This places the company in a strong position as it looks at potential acquisition opportunities.

EXPLORATION ACTIVITIES

Over the 6 months the Company has focused on the sale of Sonid North, its principal project in Inner Mongolia. The continuing difficult state of the commodities market has made it difficult to achieve an early sale.

The Company continues to review a number of minerals opportunities as potential acquisitions.

KING SOLOMON MINES LIMITED

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

		30 September 2014 Unaudited	30 September 2013 Unaudited Restated
	Note	\$	\$
Other Income			
Foreign Exchange Gain		-	5,528
Gain on Sale from Fixed Assets		-	993
Interest Received		337	1,336
		-----	-----
Total Other Income		337	7,857
Expenses			
Depreciation		17,633	26,053
Directors' Fees		13,125	15,296
Share Option Expense		3,431	10,224
Employee Benefits Expense		13,719	15,073
Foreign Exchange Loss		1,663	-
Office Expenses		11,838	22,558
Professional Fees		72,461	86,226
Other Expenses		43,699	45,130
Exploration Asset Maintenance Expenses		37,847	47,133
Write down of Property for resale		-	48,933
Write off of Exploration Expenditure	6	613,709	79,833
		-----	-----
Total Expenses		829,125	396,459
		-----	-----
Loss attributable to the Owners of the Company		(828,788)	(388,602)
Other Comprehensive Income			
(Items that may be reclassified subsequently to profit or loss)			
Currency Translation Differences		61,370	167,939
		-----	-----
Total Comprehensive Loss net of tax attributable to Owners of the Company		(767,418)	(220,663)
		=====	=====
		\$ /share	\$ /share
Loss Per Share			
Basic Loss per Share	9		
From continuing operations		(0.00)	(0.00)
From discontinuing operations		(0.00)	(0.00)
Diluted Loss per Share	9		
From continuing operations		(0.00)	(0.00)
From discontinuing operations		(0.00)	(0.00)

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

KING SOLOMON MINES LIMITED

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	Share Capital \$	Share Options \$	Foreign Currency Translation Reserve \$	Accumulated Loss \$	Total Shareholder Funds \$
Equity as at 1 April 2013		17,506,982	313,382	432,772	(16,803,654)	1,449,482
Comprehensive Income:						
Loss for Period as restated	14	-	-	-	(388,602)	(388,602)
Other Comprehensive Income:						
Currency Translation Differences		-	-	167,939	-	167,939
Total Comprehensive Income / (Loss) for the Period		-	-	167,939	(388,602)	(220,663)
Reclassification between Accumulated Losses and the Foreign Currency Translation Reseve		-	-	(56,667)	56,667	-
Transactions with owners:						
Options Expense	7	-	10,224	-	-	10,224
Options Expired	7	-	(103,981)	-	103,981	-
Total transactions with Owners:		-	(93,757)	(56,667)	160,648	10,224
Equity as at 30 September 2013		17,506,982	219,625	544,044	(17,031,608)	1,239,043
Opening Equity as at 1 April 2014 previously reported		17,631,553	217,329	545,345	(17,248,242)	1,145,985
Impact of Prior Period Adjustment	14	-	-	-	(30,793)	(30,793)
Restated equity as at 1 April 2014		17,631,553	217,329	545,345	(17,279,035)	1,115,192
Comprehensive Income:						
Loss for Period		-	-	-	(828,788)	(828,788)
Other Comprehensive Income:						
Currency Translation Differences		-	-	61,370	-	61,370
Total Comprehensive Income / (Loss) for the Period		-	-	61,370	(828,788)	(767,418)
Transactions with owners:						
Options Expense	7	-	3,431	-	-	3,431
Options Expired	7	-	(128,600)	-	128,600	-
Shares Issued		155,559	-	-	-	155,559
Capital Raising Costs		(5,000)	-	-	-	(5,000)
Total transactions with Owners:		150,559	(125,169)	-	128,600	153,990
Equity as at 30 September 2014		17,782,112	92,160	606,715	(17,979,223)	501,764

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

KING SOLOMON MINES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

		30 September 2014 Unaudited	31 March 2014 Audited Restated
	Note	\$	\$
SHAREHOLDERS' FUNDS			
Share Capital	7	17,782,112	17,631,553
Share Options	7	92,160	217,329
Foreign Currency Translation Reserve		606,715	545,345
Accumulated Losses		(17,979,223)	(17,279,035)
		-----	-----
TOTAL FUNDS EMPLOYED		501,764	1,115,192
		=====	=====
REPRESENTED BY:			
CURRENT ASSETS			
Cash and Cash Equivalents	5	85,826	103,754
Receivable from property sold	8	206,678	219,287
Other Receivables - Related Parties	12	47	204
Other Receivables - Tax on Interest		93	634
Other Receivables - Other		32,433	25,099
Prepayments - Related Parties		20,563	23,363
Motor Vehicles for Sale		22,046	32,925
Other Plant and Equipment for Sale		7,503	11,077
Exploration and Evaluation Assets	6	448,359	1,000,658
		-----	-----
Total Current Assets		823,548	1,417,001
CURRENT LIABILITIES			
Accounts Payable - Related Parties	12	(13,169)	(14,416)
Accounts Payable - Other	14	(308,615)	(287,393)
		-----	-----
Total Current Liabilities		(321,784)	(301,809)
		-----	-----
NET CURRENT ASSETS		501,764	1,115,192
		-----	-----
NET ASSETS		501,764	1,115,192
		=====	=====

On behalf of the Board



Stephen McPhail **Director** 2 December 2014



Chris Castle **Director** 2 December 2014

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

KING SOLOMON MINES LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Note	30 September 2014 Unaudited \$	30 September 2013 Unaudited \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Interest		337	4,044
Resident Withholding Tax refunded		634	-
		-----	-----
		971	4,044
Cash was applied to:			
Payments to suppliers		139,468	180,858
Withholding-tax on Interest		97	971
		-----	-----
		139,565	181,829
Net cash flow - Operating activities	11	(138,594)	(177,785)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Sale of Property Plant and Equipment		26,067	1,323
		-----	-----
		26,067	1,323
Cash was applied to:			
Purchase of Property Plant and Equipment		699	-
Exploration Expenditure		-	2,634
		-----	-----
		699	2,634
Net cash flow - Investing activities		25,368	(1,311)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was received from Issue of Shares		101,239	-
Cash was applied to Share Raising expenses		5,000	-
		-----	-----
Net cash flow - Financing activities		96,239	-
		-----	-----
Net decrease in cash and cash equivalents		(16,987)	(179,096)
Cash and cash equivalents at Beginning of Period		103,754	314,333
Effects of exchange rate changes on cash and cash equivalents		(941)	(20,656)
		-----	-----
Cash at End of Period		85,826	114,581
		=====	=====
Represented by:			
Cash and Cash at Bank	5	85,826	114,581
		=====	=====

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

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

1. GENERAL INFORMATION

These financial statements are presented in Australian Dollars being the Group's presentation currency unless otherwise noted.

King Solomon Mines Limited ('the Company') and its subsidiary (together 'the Group') were incorporated for the purpose of exploring and developing gold, copper and other metallic deposits in China and are profit oriented entities.

The Company is a limited liability company incorporated on 28 January 2003 and domiciled in New Zealand. The address of its registered office is 242 Marine Parade, Otaki Beach, Otaki, 5512.

These condensed consolidated financial statements were approved by the Board of Directors on 1 December 2014.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half yearly financial report does not include all notes of the type normally included within the annual financial report and therefore can not be expected to provide as full an understanding of the financial performance, financial position and financing activities of the Group as the full financial report. Accordingly, this report should be read in conjunction with the Annual Financial Report of King Solomon Mines Limited for the year ended 31 March 2014.

The principal accounting policies applied in the preparation of these condensed consolidated financial statements of the Group are consistent with those of the previous financial year.

Basis of preparation

In March 2014, the Directors assessed the Group's business and estimated that it would be difficult to obtain additional capital in the current market conditions to fund further exploration and /or development expenditure. As noted in note 6, the Company has ceased exploration activities and from March 2014 the Group has sought to sell the core assets and raise further share capital as the Group and the Company were no longer deemed to be a going concern. Accordingly, the 31 March 2014 financial statements were prepared on a realisation basis.

As stated in note 15, the Company has offered a fully underwritten renounceable share offer on 20th October 2014. When all funds have been received, Directors will assess the future direction of the Company. Once this is completed and that direction implemented, Directors expect the Company to be in a position where the Group and the Company can be deemed to be a going concern. In the meantime, the condensed financial statements continue to be prepared on a realisation basis.

The condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 and NZ IAS 34 which deal with Interim Financial Reporting, and follow Generally Accepted Accounting Practice in New Zealand.

The condensed consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 2013, and should be read in conjunction with the annual financial statements for the year ended 31 March 2014, which have been prepared in accordance with NZ IFRS and IFRS.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing the financial statements on a realisation basis, the Group has made estimates of the net realisable value of its assets.

In particular the property, plant and equipment and exploration and evaluation assets are determined based on an estimation of fair value less costs to sell.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including estimations of market transactions that are believed to be reasonable under the circumstances.

The resulting accounting estimates will, by definition, seldom equal the actual results.

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Company's Board which is responsible for making strategic decisions.

As at 30 September 2014, the Group is organised into one business segment; the activity of exploring and developing gold, copper and other metallic deposits. As there is only one segment as at 30 September 2014 the disclosures on the face of the Condensed Consolidated Statement of Comprehensive Income and the Statement of Financial Position represent the Group's one business segment.

Geographical Information:

The Group operates its business of exploration in China with the bulk of the administrative functions being performed in New Zealand and Australia.

This is demonstrated by the geographical breakdown of material assets shown on the Statement of Financial Position:

	New Zealand Audited	China Audited	Total Audited
	\$	\$	\$
31 March 2014			
Receivable from property sold	-	219,287	219,287
Motor Vehicles for Sale	-	32,925	32,925
Other Plant and Equipment for Sale	1,848	9,229	11,077
Exploration and Evaluation Assets	-	1,000,658	1,000,658
	<u>1,848</u>	<u>1,262,099</u>	<u>1,263,947</u>
	New Zealand Unaudited	China Unaudited	Total Unaudited
	\$	\$	\$
30 September 2014			
Receivable from property sold	-	206,678	206,678
Motor Vehicles for Sale	-	22,046	22,046
Other Plant and Equipment for Sale	818	6,685	7,503
Exploration and Evaluation Assets	-	448,359	448,359
Total Non Current Assets	<u>818</u>	<u>683,768</u>	<u>684,586</u>

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

5. CASH AND CASH EQUIVALENTS

	30 September 2014 Unaudited \$	31 March 2014 Audited \$
Cash	166	369
Cash at Bank	85,660	103,385
	85,826	103,754

6. EXPLORATION AND EVALUATION INCOME AND EXPENDITURE

The results of drilling at all tenements have not been as encouraging as hoped. All current drilling programmes have ceased since 31 March 2013. The Group has sold the Naogaoshandu and Marmot tenements effective October 2014 and the Group is considering options for the other tenements. The Directors have impaired the carrying value of the tenements based on the Directors' best estimate of the likely sales price of each tenement. There is no active market in China for these tenements.

The capitalised exploration and evaluation expenditure carried forward has been determined as follows:

	30 September 2014 Unaudited 6 Months \$	31 March 2014 Audited 12 Months \$
<u>Exploration phase:</u>		
Opening Balance	1,000,658	995,332
Foreign Exchange on Opening Balance	61,410	146,165
Expenditure written off during the Period	(613,709)	(140,839)
Closing Balance	448,359	1,000,658

The exploration and evaluation expenditure has been allocated across the following prospects:

	30 September 2014 Unaudited 6 Months \$	31 March 2014 Audited 12 Months \$
Prospect		
Sonid North	372,391	843,316
Naogaoshandu	28,674	50,000
Marmot	28,674	57,342
Bu Dun Hua	18,620	50,000
Total Exploration and Evaluation Expenditure	448,359	1,000,658

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

7. SHARE CAPITAL

Issued Share Capital

Issued share capital is represented by:

	30 September 2014			31 March 2014		
	Unaudited			Audited		
	Number of Shares	Issue Price \$	Average Issue Price \$/Share	Number of Shares	Issue Price \$	Average Issue Price \$/Share
Opening Balance	254,511,135	17,631,553	0.07	223,139,260	17,506,982	0.08
Shares Issued	51,885,004	155,559	0.00	31,371,875	125,951	0.00
Capital Raising Costs	-	(5,000)		-	(1,380)	
Closing Balance	306,396,139	17,782,112	0.06	254,511,135	17,631,553	0.07

All shares are fully paid and rank equally with regard to voting rights and distribution of profit.

All shares have no par value, are fully paid and rank equally with regard to voting rights and distribution of profit.

Issued Share Capital to Directors as part payment for fees

On 28th August 2014 at the Annual General Meeting, resolutions were passed to authorise issue of 13,708,334 shares as part payment of \$41,125 fees for directors from 1 July 2014 to 31 December 2014. 6,854,166 shares are held in escrow until 7 October 2014 and a further 10,187,501 are held in escrow to 31 December 2014.

Previously on 24th January 2014 at an extraordinary meeting, resolutions were passed to authorise issue of 31,371,875 shares which included issuance of 14,721,875 shares as part payment of fees for directors to 30 June 2014 (\$35,516 in the 2014 year and \$23,363 in the 2015 financial year, 2013: Nil). The shares were held in escrow until 30 June 2014.

Share Options

Options are currently issued to directors.

Options exercisable as at balance date are as follows:

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

	Expiry date	*	30 September 2014		31 March 2014	
			Unaudited		Audited	
			Average exercise price in \$A per share	Options	Average exercise price in \$A per share	Options
At 1 April	29 July 2014	*	0.10	2,000,000	0.10	3,100,000
At 1 April	25 March 2016	*	0.12		0.12	165,000
At 1 April	29 July 2016	*	0.12	1,600,000	0.12	1,963,000
At 1 April	3 March 2014		0.05		0.05	1,000,000
Lapsed	3 March 2014	*	0.05	-	0.05	(1,000,000)
Lapsed	29 July 2014	*	0.10	(2,000,000)	0.10	(1,100,000)
Lapsed	25 March 2016		0.12	-	0.12	(165,000)
Lapsed	29 July 2016	*	0.12	-	0.12	(363,000)
Exercised				-		-
Forfeited				-		-
			<u>0.12</u>	<u>1,600,000</u>	<u>0.109</u>	<u>3,600,000</u>

8. RECEIVABLE FROM PROPERTY SOLD

Plate sold its office in Hohhot, Inner Mongolia in December 2013 for RMB 1,600,000. It has received progress payments from the purchaser of RMB 490,000. The property market in Hohhot is currently weak. It is possible the purchaser of the office building may not make the final payment due under the sale agreement by the due date in June 2015. In this case, Plate might seek to sell the office to another party to recoup what is owed.

No provision has been made against this receivable as there is no indication that it may not be recovered.

9. EARNINGS PER SHARE

	30 September 2014 Unaudited \$	30 September 2013 Unaudited \$
Loss from continuing operations attributable to equity holders of the Company	(828,788)	(388,602)
Weighted average number of ordinary shares on issue	261,354,035	223,139,260
Basic earnings per share from continuing operations(\$ per share)	(0.00)	(0.00)
Diluted earnings per share	(0.00)	(0.00)

Diluted losses per share have not been calculated as the effect of including the share options would be anti-dilutive. Hence the diluted earnings per share for prior periods is the same as the basic earnings per share.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

10. RECONCILIATION OF FINANCIAL PERFORMANCE AND OPERATING CASH FLOW

	30 September 2014 Unaudited \$	30 September 2013 Unaudited \$
(Deficit) for Period	(828,788)	(388,602)
Non Cash Items		
Depreciation	17,633	26,053
(Gain) / Loss on Sale	-	(993)
Write down of Property for resale	-	48,933
Write Off of Exploration Expenditure	613,709	79,833
Share Options	3,431	10,224
Foreign Exchange	1,152	(5,528)
Service fees settled with Shares	54,320	-
Movement in Working Capital		
Other Receivables - Related Parties	157	(293)
Other Receivables - Tax on Interest	537	(971)
Other Receivables - Other	(7,035)	20,488
Prepayments - Related Parties	2,800	(5,250)
Accounts Payable - Related Parties	(1,369)	(6,479)
Accounts Payable - Other	4,858	42,167
Items classified as Investing Activities		
Increase in Accounts Payable for Exploration	-	2,633
Net Cash used in Operating Activities	<u>(138,594)</u>	<u>(177,785)</u>

11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The Company and Group lease property in New Zealand and China. They have no non cancellable operating leases.

As recorded in note 7, the Company currently has 1,600,000 options issued to executive directors. Options are being expensed in the periods in which the options vest. There is a no further amount to be expensed in future periods at 30 September 2013 (30 September 2013: \$18,859).

The Group has no other commitments at 30 September 2014 (30 September 2013: \$Nil).

The Group has no contingent liability at 30 September 2014 (30 September 2013: \$Nil).

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

12. TRANSACTIONS WITH RELATED PARTIES

King Solomon Mines Limited provided funds to Inner Mongolia Plate Mining Limited (“Plate”), a subsidiary of King Solomon Mines Limited, as share capital and advances.

Payment for consulting fees and reimbursement of expenses was made to Stephen McPhail (Director and Shareholder) and Bodhi Svaha Holdings Limited being a company in which Stephen McPhail has an interest.

Payment of consulting fees, reimbursement of expenses and funding for Plate was made to Fu La (Director and Shareholder) and to Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited being a company in which Fu La has an interest.

Payment of director fees and expenses were made to and to Aorere Limited previously named Widespread Limited (Shareholder) for Chris Castle (Director).

Payment for wages and reimbursement of expenses was made to Anna Di (Shareholder).

Payment for accounting fees was made to Michael Wilcox (Shareholder).

RELATED PARTY EXPENDITURE (Reimbursement of expenditure, consulting fees & salary)	30 September 2014 Unaudited \$	30 September 2013 Unaudited \$
Director Fees		
Aorere Limited for Chris Castle	2,915	17,590
Other services provided by Directors & entities associated with Directors		
Bodhi Svaha Holdings Ltd	14,439	44,108
Fu La	7,024	17,942
Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited	5,267	47,040
Stephen McPhail	419	796
Shareholders		
Di Anna	2,929	2,567
Michael Wilcox	10,805	14,244
	<u>40,883</u>	<u>126,697</u>

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

OWING TO RELATED PARTIES	30 September 2014 Unaudited \$	31 March 2014 Audited \$
Directors & entities associated with Directors		
Bodhi Svaha Holdings Ltd	2,647	2,205
Fu La	2,296	3,197
Shareholders		
Di Anna	446	411
Michael Wilcox	7,780	8,603
	13,169	14,416
OWING BY RELATED PARTIES	30 September 2014 Unaudited \$	31 March 2014 Audited \$
Directors & entities associated with Directors		
Stephen McPhail	47	204
	47	204

13. FEES TO AUDITORS

Fees payable to the auditors for the review of the financial statements for the six months to 30 September 2014 amounted to \$7,338 (30 September 2013: \$7,930).

14. RESTATEMENT OF PRIOR PERIOD EXPENSES

The Company has included the Sonid Camp lease agreement which commenced on 30 April 2013 for the first time as it had been omitted in error previously.

The effects of the changes required on past financial statements are shown in the following tables:

	Previously reported \$	Rental agreement adjustments \$	Restated \$
(i) Impact of restatement on statement of financial position			
As at 30 September 2013			
Accounts Payable - Other	329,453	14,005	343,458
Retained Earnings	(17,017,603)	(14,005)	(17,031,608)
As at 31 March 2014			
Accounts Payable - Other	256,600	30,793	287,393
Retained Earnings	(17,248,242)	(30,793)	(17,279,035)
(ii) Impact of restatement on statement of comprehensive income			
For the period ended September 2013			
Exploration Asset Maintenance Expenses	33,128	14,005	47,133
For the year ended March 2014			
Exploration Asset Maintenance Expenses	75,616	30,793	106,409

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2014

15. SUBSEQUENT EVENTS

As announced on 17th October 2014 to the Australian Stock Exchange (“ASX”), the Company transferred the Naogaoshandu and Marmot exploration licences for settlement of RMB 300,800 (\$56,008 as at 30 September 2014) to a creditor. No cash transfer took place.

New directors Simon Thomas O’Loughlin and Simon James Robson Taylor were appointed on 1 October 2014.

Initial details of a fully underwritten rights issue to shareholders were released to the ASX on 10th October 2014. The offer document was released on 20th October 2014.

Three new shares were offered for every two existing shares held by existing Australian and New Zealand resident shareholders at 7:00pm (Sydney time) on 24 October 2014 at an issue price of \$A0.002 (\$NZ0.0022) per new share to raise \$919,188 before costs.

The proceeds are planned for the following purposes:

ACTIVITY	BUDGETED AMOUNT
Exploration on the Company's current projects and on any new projects acquired	\$419,000
New project investigation activities	\$60,000
Issue costs including underwriting fees	\$86,000
Corporate costs	\$149,000
Working capital	\$205,188
Total	\$919,188

There were 120,125,848 shares amounting to \$240,251 applied for under the rights issue. This left 339,468,361 Shortfall shares amounting to \$678,937 to be placed through the underwriter in accordance with the Underwriting Agreement.

The Group also has a contingent liability up to \$8,628 if the underwriter chooses within 45 days of the close of the offer to place up to a further 68,900,000 new shares at \$0.002 per share to its clients. The underwriter may elect to take these fees as shares in the Company at \$0.002 per share.



Independent Review Report to the shareholders of King Solomon Mines Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements (“financial statements”) of King Solomon Mines Limited (the “Company”) and the entity it controlled at 30 September 2014 (the “Group”) on pages 3 to 15, which comprise the statement of financial position as at 30 September 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors’ Responsibility for the Interim Financial Statements

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (‘NZ IAS 34’) and for such internal controls as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 Review of Financial Statements Performed by the Independent Auditor of the Entity (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with the NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

Other than in our capacities as assurance practitioner conducting this review and as auditors of the annual financial statements we have no relationship with, or interests in, King Solomon Mines Limited.

Basis for Disclaimer of Conclusion

As disclosed in the statement of accounting policies in note 2 and critical accounting estimates and judgements in note 3 to the financial statements, the financial statements for the period ended 30 September 2014 have been prepared on a realisation basis and include a number of material amounts based on Directors estimates of net realisable value.





We were unable to undertake sufficient review procedures on the estimates of the carrying values of exploration and evaluation assets held at 30 September 2014 which are stated in the balance sheet at \$448,359. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of exploration and evaluation assets and the elements making up the statements of comprehensive income and statements of changes in equity.

Disclaimer of Conclusion

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion paragraph, we have not been able to express a conclusion on the accompanying interim condensed financial information. Accordingly, we do not express a conclusion on the financial statements on pages 3 to 15.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' 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 shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in black ink, appearing to read 'Priyanka Haselopas', is written over a faint, illegible printed name.

Chartered Accountants
2 December 2014

Wellington