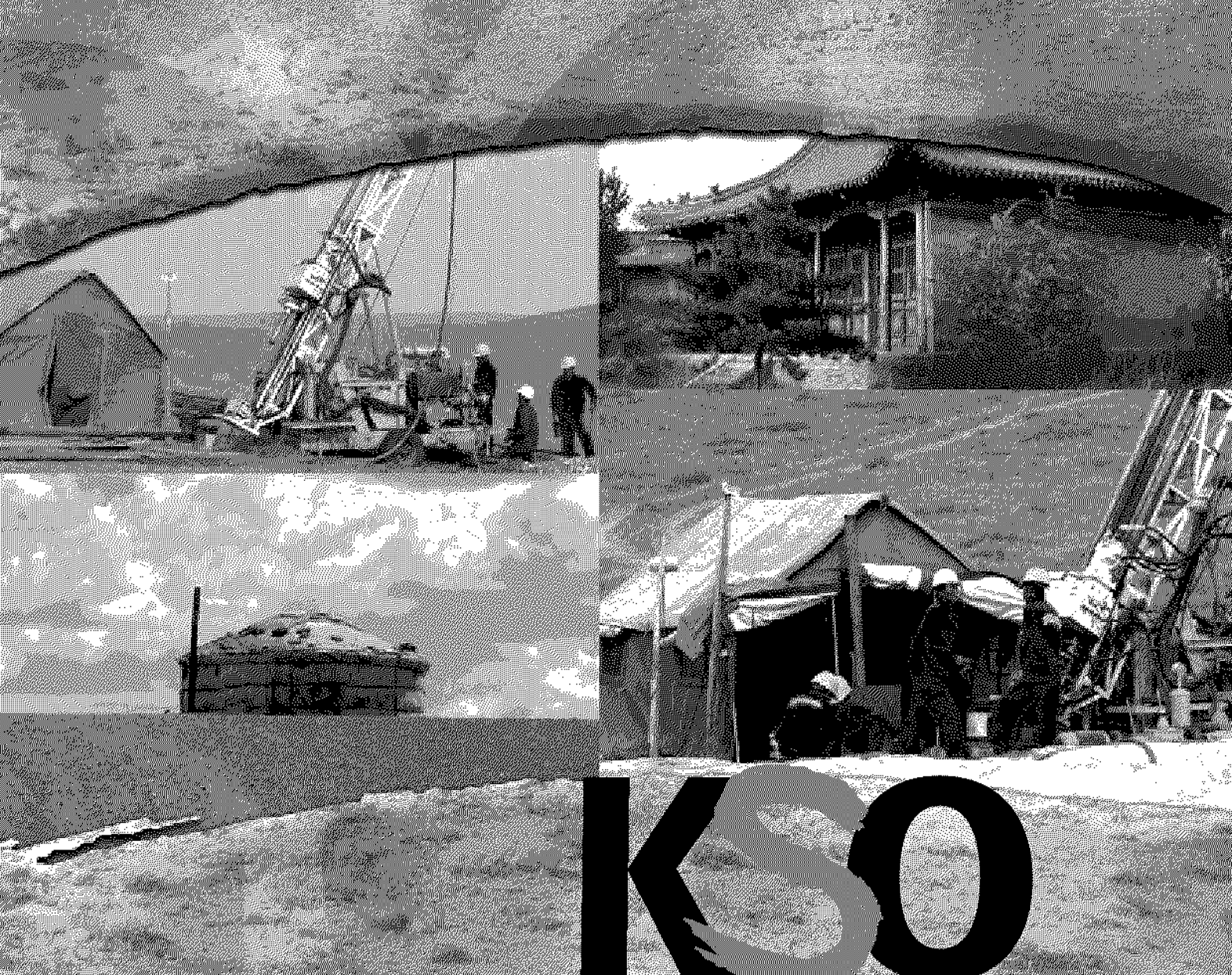




KSO

KING SOLOMON MINES LTD

ARBN 122 404 666

PROSPECTUS 2007

FOR THE OFFER OF 40 MILLION SHARES AT AN ISSUE PRICE OF 20C PER SHARE TO RAISE \$8,000,000 BEFORE COSTS OF THE OFFER WITH PROVISION FOR OVERSUBSCRIPTIONS FOR AN ADDITIONAL 10 MILLION SHARES TO RAISE AN ADDITIONAL \$2,000,000.

IMPORTANT INFORMATION

THIS DOCUMENT SHOULD BE READ IN ITS ENTIRETY. IF AFTER READING THIS PROSPECTUS YOU HAVE ANY QUESTIONS ABOUT THE SECURITIES BEING OFFERED OR ANY OTHER MATTER, YOU SHOULD CONSULT YOUR STOCKBROKER, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER. THE SECURITIES OFFERED BY THIS PROSPECTUS SHOULD BE CONSIDERED SPECULATIVE.

PROPOSED ASX CODE: KSO

SPONSORING BROKER: CAMERON STOCKBROKERS LIMITED **CSB**

THIS IS A REPLACEMENT PROSPECTUS DATED 26 FEBRUARY 2007. IT REPLACES A PROSPECTUS DATED 14 FEBRUARY 2007, RELATING TO SHARES OF KING SOLOMON MINES LTD.

Important Notice

This Prospectus is dated 26 February 2007 and was lodged with ASIC on that date.

ASIC and ASX both take no responsibility for the contents of this Prospectus. The fact that the ASX may admit King Solomon to its official list is not to be taken in any way as an indication of the merits of King Solomon.

The Opening Date of the Offer is 2 March 2007.

The Closing Date of the Offer is 2 April 2007.

The Directors of King Solomon reserve the right to close the Offer earlier than described above without prior notice or vary any of the important dates set out in this Prospectus including extending the Closing Date of the Offer.

This is a speculative investment – please consult your financial adviser, stock broker or other professional advisers prior to completing the Application Form.

Before deciding to invest in King Solomon potential investors should read the entire Prospectus and in particular consider the risk factors that could affect the financial performance of King Solomon.

No Shares will be issued or allotted on the basis of this Prospectus after its expiry date being the date 13 months after the date of this Prospectus. Applications for Shares may only be made on an original Application Form which is included in, or accompanies, this Prospectus. By submitting an Application Form, each Applicant acknowledges that they have read this Prospectus.

Exposure Period

The Corporations Act 2001 ("Corporations Act") prohibits the Company from processing Applications received until after the Exposure Period. The Exposure Period will expire on 28 February 2007. The purpose of the Exposure Period is to enable examination of the Prospectus by market participants before the Offer of the new Shares. That examination may result in the identification of deficiencies in the Prospectus in which case any application received may need to be dealt with in accordance with section 724 of the Corporations Act.

Applications received before the end of the Exposure Period will not be processed until after the Exposure Period. No preference will be conferred on applications received in the Exposure Period and all applications received in the Exposure Period will be treated as if they were simultaneously received on the Opening Date.

Electronic Prospectus

This Prospectus will be issued in paper form and as an electronic Prospectus which may be viewed online at <http://www.kingsolomonmines.com/prospectus/>. The electronic version of this Prospectus is available only to residents of Australia and New Zealand.

The Corporations Act prohibits any person passing the Application Form to another person unless it is attached to, or accompanied by, the complete and unaltered version of the Prospectus.

During the period of the Offer any person may obtain a hard copy of this Prospectus free of charge by contacting from within Australia at 1800 061 569 or from New Zealand at 09 265 1741.

This Prospectus does not, and is not intended to constitute an offer in any place or jurisdiction or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The offer of these Shares is being made in New Zealand pursuant to the Securities Act (Australian Issuers) Exemption Notice 2002. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Foreign Jurisdictions

No action has been taken to register or qualify these Shares or otherwise permit a public offering of the Shares which are the subject of this Prospectus in any jurisdiction outside Australia and New Zealand. It is the responsibility of Applicants outside Australia and New Zealand to obtain all necessary approvals for the allotment and issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by King Solomon to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

Privacy Act

By completing an Application Form, Applicants will be providing personal information to King Solomon (directly or via the Share Registry). King Solomon will collect, hold and use that information to assess the Application and for successful Applications to service Shareholders needs, communications and related administration. The information may also be disclosed to persons inspecting the register, bidders for securities in the context of takeovers, regulatory bodies, print service providers, mail houses and share registry activities generally. Shareholders can access, correct and update the personal information that King Solomon holds about them by contacting King Solomon.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act, the Corporations Act, the Listing Rules and the ASIC Settlement Rules. If Applicants do not provide the information required on the Application Form, King Solomon may not be able to accept or process the Application. Applicants can request access to their personal information by contacting the Share Registry.

Definitions and Interpretations

A number of terms and abbreviations used in this Prospectus have defined meanings which appear in the Glossary of Terms.

The Company's Interest in the Projects

Throughout this Prospectus reference will be made to the projects, tenements, exploration licences and assets which are owned or have been acquired by the Company. In each case this is, and should read as, a reference to, the contractual rights to acquire the 6 exploration licences described in this Prospectus which rights are held by the Company's 90% owned subsidiary, Plate. Please see sections 12.11(a), (b) and (c) for further information.



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Letter from the Chairman

Dear Investor,

On behalf of the Directors, it is my pleasure to invite you to become a shareholder of King Solomon Mines Limited ("the Company" or "King Solomon").

The Company was established in January 2003 to further exploration for gold and base metals in Inner Mongolia, China, initiated by Bruce Bell and Fu La some years earlier.

When the progress made by the Company since its establishment was first explained to me, I was impressed with both the strategy being pursued and the type of projects that the Company has interests in. I was reminded of the advice given to me by my mentors at Newmont Mining Corporation more than 35 years ago. They stressed the need to focus exploration efforts on geological environments and styles of mineralised systems which host world class orebodies. Such focus was essential if the objective was to accumulate company making assets. They emphasized the desirability of controlling major land positions in order to dominate regions in which such deposits tend to cluster. This philosophy was integral to the discovery of the world class mineral fields at Telfer, Cadia, Batu Hijau and Gosowong and to several other important but lesser deposits by Newmont and Newcrest Mining during my tenure with those companies.

The Company has adopted a similar approach to its work in Inner Mongolia. It is centred on one of those parts of the earth's crust which has demonstrated all of the ingredients required to host world class deposits. And whilst the geological setting is clearly right for the targets being pursued, the region has not had systematic modern exploration of the type that the Company will bring to bear.

Plate, a Sino-foreign incorporated joint venture which is 90% owned by the Company, holds the rights to acquire major land positions in which to explore in an area receptive to investment in mining and close to the industrial centres of China with their rapidly expanding demand for metal. The remaining 10% of Plate is legally owned by Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd ("AMX"), a company jointly owned by Mr Fu La and his wife. Mr Fu La is a Chinese national of Mongolian descent with whom the Company's founders have had a relationship since 2000 and who is also a director of the Company.

King Solomon has already enjoyed initial success with the discovery of copper at the Marmot Ridge project in the Sonid Zuoqi district of Inner Mongolia. Marmot Ridge represents a project that has the potential to become a world class porphyry copper deposit. Early results from the Wurutu project provide encouragement that the Company may have a second emerging copper project.

I am also impressed with the Sonid Zuoqi district which I believe has the potential to host world class gold and copper projects. The Company has a strong foothold in that region.

The founders of King Solomon have established a network of contacts in Inner Mongolia over the last seven years, and developed a good understanding of commercial and regulatory practices and identified a strong pipeline of opportunities. The Company is currently pursuing additional opportunities in gold, copper and nickel both inside and outside of the Sonid region which it hopes to secure over the coming months.

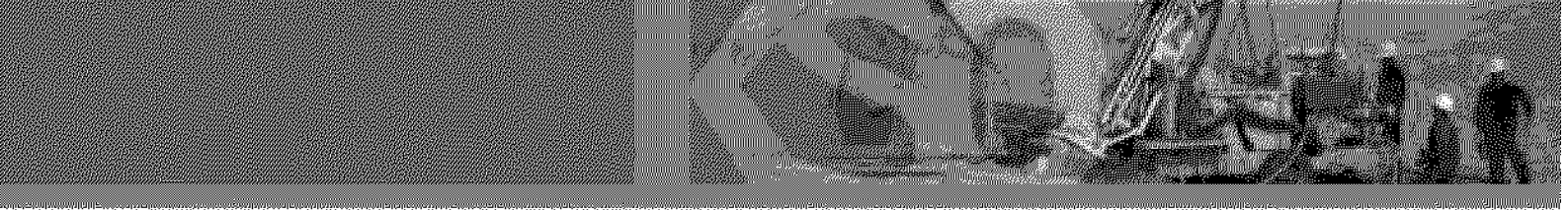
The largest part of the \$8 million minimum to be raised by this issue is planned to be spent on advancing Marmot Ridge towards the point where an initial resource can be established. The balance will be directed towards advancing other projects.

This prospectus contains detailed information about the Offer and the Company. I urge you to read it carefully and in full before deciding whether to invest in the Company. I look forward to welcoming you as a shareholder.

Yours sincerely



John C. Quinn
Chairman



Investment Highlights

Capital Structure	Shares (millions)
Directors (beneficial interest)	16.125
Seed Capitalists	24.650
	40.775
IPO Offer at 20c (minimum subscription)	40.000
Total Issued Shares	80.775
Director/Employee options to acquire shares at 30c (Expiring 4 May 2011)	6.280
Broker option to acquire shares at 25c (Expiring 2 years after listing)	0.500

Initial Use of Funds	AUD (millions)
Exploration Programs	5.410
Project Acquisition	1.011
Administration	1.072
Listing Costs	0.609
Total	8.102*

* Year 1 & 2 expenditure estimate: expenditures in later years will be funded from working capital and additional equity and/or debt capital raisings (see Investment Risk section 11). Oversubscriptions allow for up to 10 million additional shares to be issued with up to \$1.9 million in additional funds after costs available to accelerate exploitation of exploration success and acquire other mineral assets in Inner Mongolia. \$1.9 million would be spent on diamond drilling at Marmot Ridge. If exploration results at Marmot Ridge do not justify additional expenditure, the \$1.9 million would be spent on new projects and extending work programs beyond 2 years.

The Company (including Plate) had funds available of approximately \$395,000 at the date of this prospectus.

Key Points

World class target area

- King Solomon is exploring for minerals in the under explored Inner Mongolia section of a major fold belt that elsewhere hosts world class Gold and Copper deposits.

Strong initial project portfolio

- The Company has interests in the following projects:
 - Marmot Ridge – Porphyry Copper prospect along geological trend from the giant Oyu Tolgoi Copper-Gold deposit
 - Wuritu – potential high-grade shear hosted Copper deposit
 - Amoytele – Magnetite hosted skarn Iron and Copper prospects; Nickel and Lead anomalies
 - Sonid North & South – Regional shear hosted disseminated Gold targets

7 years experience in China

- The Company's founding directors have worked on minerals projects in China for 7 years
- An office has been established in Huhhot, Inner Mongolia

Experienced board and management

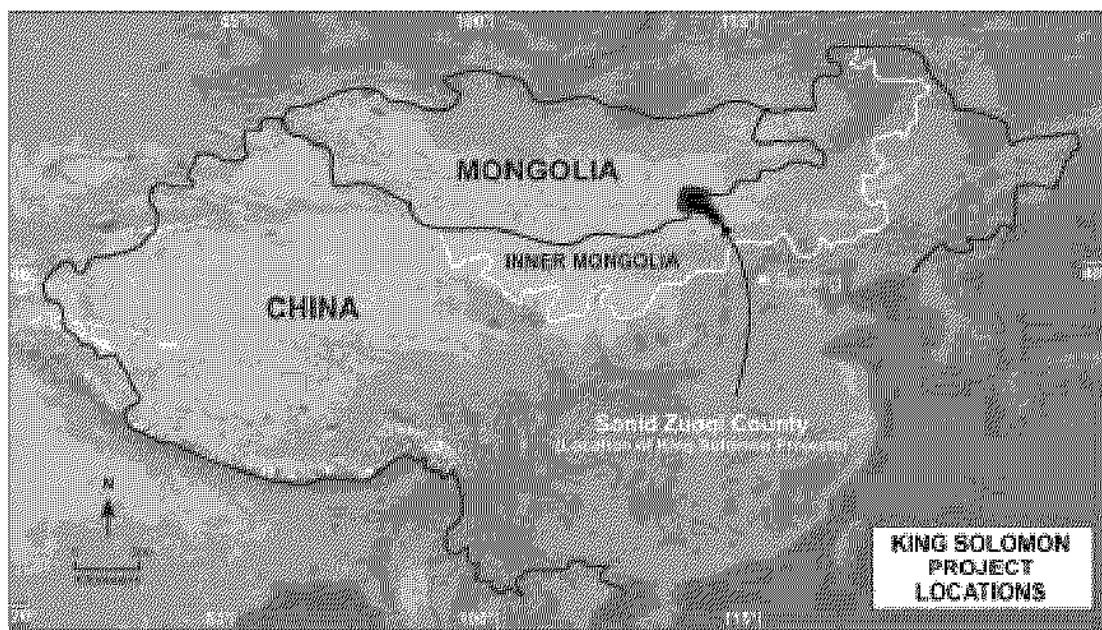
- The Company's board and management are experienced in exploration and capital raising

Key dates

Prospectus Date	26 February 2007
Opening Date of the Offer	2 March 2007
Closing Date of the Offer	2 April 2007
Allotment of Shares	9 April 2007
Quotation of Shares on ASX	16 April 2007

The above dates are indicative only.

Figure 1:
Location of Inner
Mongolia and King
Solomon's Projects



Ownership Structure

Plate, a Sino-foreign incorporated joint venture which is 90% owned by the Company, has contractual rights to acquire 6 exploration licences covering 5 projects. Four of the exploration licences are held by AMX, (a company controlled by Director Fu Lai) and are in the process of being transferred to Plate. Transfer is expected to be completed by June 2007. The other 2 exploration licences were purchased by Plate from Tai Yuan City Kailijie Electron Co., Ltd. ("TKE"). Plate cannot start the process of transferring these 2 exploration licences until June and August 2007, respectively, due to a government imposed minimum 2 year holding period on new exploration licences.

Risk factors

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Mineral exploration is a high risk industry with no guarantee of success.

While the Directors commend the Offer, potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and a summary of the risk factors set out below.

The list below is not exhaustive and potential investors should read this Prospectus in its entirety and, if in any doubt, consult their professional adviser before deciding whether to participate in the Offer. Please refer to section 11 for a more detailed analysis of King Solomon's risk factors.

- the Company is reliant on its ability to enforce, in China, its contractual rights to the exploration licences described in this Prospectus and also reliant on multiple Chinese government bodies processing and approving the transfer of those exploration licences to Plate
- exploration is inherently risky and King Solomon is an early-stage exploration company
- King Solomon has no source of operating income at present and no revenue estimates from mining
- King Solomon has no JORC-defined resources and there is no assurance that an economic ore body will be found
- volatile metal prices are likely to influence the market value of exploration results
- the timeframe for developing a mine and producing copper and other commodities is long term
- deep and expensive drill holes are required to explore the Marmot Ridge Project
- confirmation of the definitive scope for Plate's business licence depends on the approval of a Chinese government body
- security of title to the company's assets depends on China continuing to allow foreign investment and the Company complying with government regulations
- granting of a mining licence depends on approval of multiple Chinese government bodies and there is no assurance that any mining licence application by the Company will be successful
- each of the exploration licences described in this Prospectus is up for renewal at a date during 2007. Renewal depends on approval of the Chinese Ministry of Land and Resources or its provincial counterpart and there is no assurance that the applications for renewal will be successful.

Purpose of the offer and use of funds

1

Purpose of the Offer

The purpose of the Offer is to raise \$8,000,000 (with up to a further \$2,000,000 in allowable oversubscriptions) to enable the Company to implement its corporate strategy in mineral exploration.

Use of Funds

The funds raised by this Offer together with existing cash are currently planned to be applied as follows:

	Year 1 (AUD)	Year 2 (AUD)	Total (AUD)	Table 1.1: Budgeted Expenditure (Minimum subscription \$8,000,000)
Exploration costs				
Marmot Ridge	\$1,205,000	\$1,610,000	\$2,815,000	
Wuritu	\$440,000	\$600,000	\$1,040,000	
Amoyite	\$180,000	\$320,000	\$500,000	
Sonid North & South Gold	\$180,000	\$450,000	\$630,000	
New projects	\$195,000	\$230,000	\$425,000	
Sub Total	\$2,200,000	\$3,210,000	\$5,410,000	
Wuritu/Amoyite final payment	\$40,000		\$40,000	
New Project Acquisition costs	\$481,000	\$490,000	\$971,000	
Administration costs	\$523,000	\$549,000	\$1,072,000	
Issue costs	\$609,000		\$609,000	
Total Expenditure	\$3,853,000	\$4,249,000	\$8,102,000	
Opening balance of funds	\$395,000	\$4,851,000	\$395,000	
Funds raised by this prospectus	\$8,000,000		\$8,000,000	
Interest income at 5%	\$309,000	\$137,000	\$446,000	
Closing balance of funds	\$4,851,000	\$739,000	\$739,000	

The Company has funds on hand at the date of this prospectus of approximately \$395,000, including \$45,000 held in China in the Plate bank account. With oversubscriptions, the Company could retain up to an additional \$1,900,000 (after costs) to accelerate exploitation of exploration success and acquire other minerals assets in Inner Mongolia. It is hoped the additional \$1,900,000 would be spent on 10,000 metres of diamond drilling at Marmot Ridge and the associated assay and geological costs. If exploration results at Marmot Ridge do not justify additional

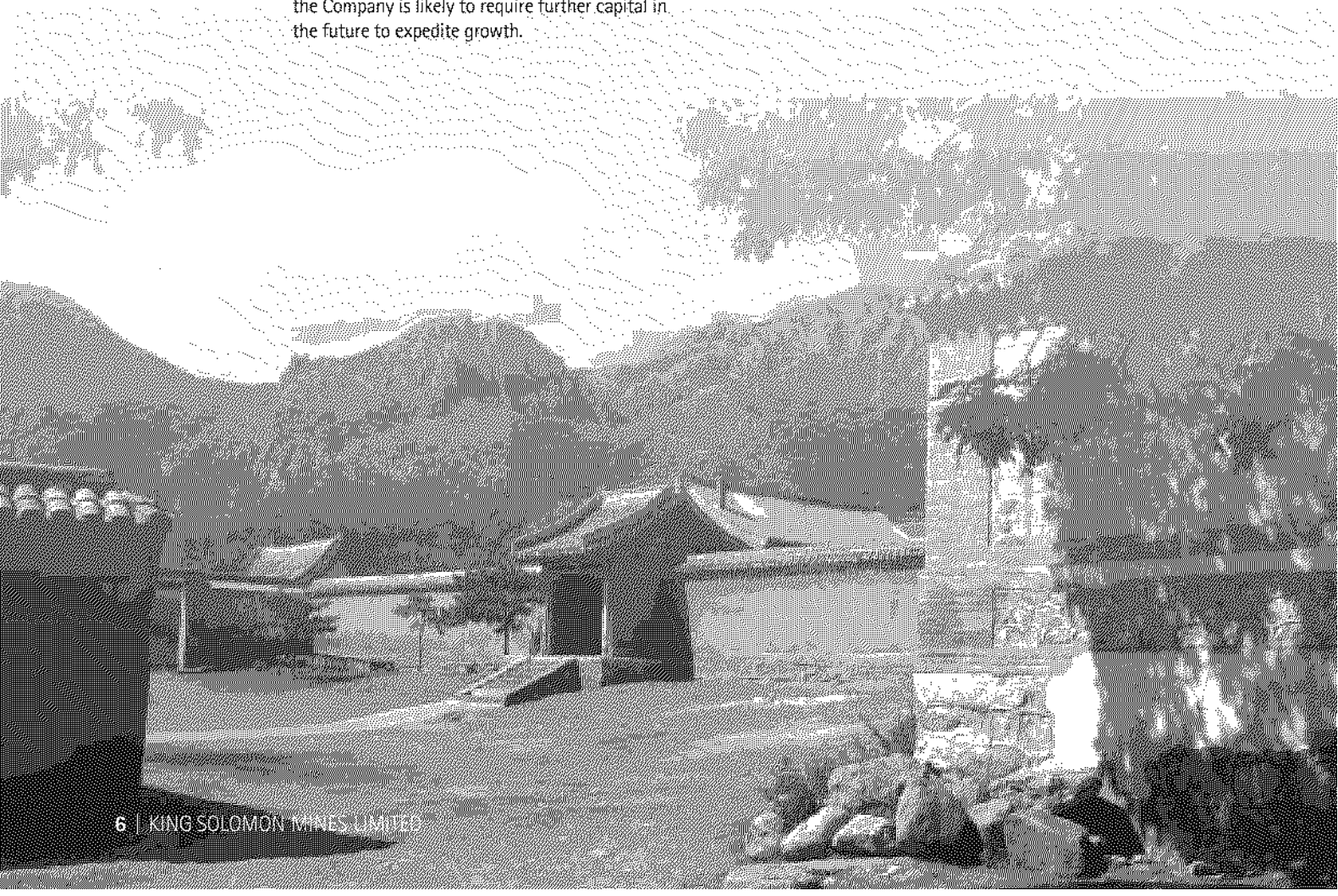
expenditure, the additional funds would be spent on a combination of new projects and extending the work programs beyond the 2 years above for existing projects. The exploration expenditure is based on the planned program detailed in the section "Independent Geologist's Report". This program may be modified as results are progressively received and assessed. Any over or under expenditure in exploration work will reduce or increase the amount available for working capital.

The expenditure priorities for exploration are:

- Geophysics and deep drilling aimed at discovery of zones of potential mining grade copper mineralisation at Marmot Ridge.
- Geophysics, geochemistry, trenching and shallow drilling to establish surface and near-surface dimensions on the copper mineralisation at Wuritu.
- Completion of evaluations, negotiations and documentation for introduction of new projects.
- Follow-up pattern drilling at Marmot Ridge for initial resource establishment.
- Pattern drilling at Wuritu for establishment of an initial high-grade copper resource.
- Completion of geological investigations and geochemical surveys aiming for drill target establishment at Sonid North and South.
- Completion of geological mapping, geochemical sampling and initial geophysics at Amoyitele aimed at evaluation of the Iron Princess prospect and establishment of other exploration targets.
- Commencement of systematic exploration on new projects.
- Follow-up work on targets generated at Amoyitele and Sonid North and South.

The Directors consider that the amount sought to be raised by this Offer will provide enough working capital to carry out the stated objectives as set out in this Prospectus.

Depending on the Company's exploration success and new opportunities that may become available, the Company is likely to require further capital in the future to expedite growth.



Details of the Offer 2

The Offer

The Company is seeking to raise new capital of \$8,000,000 by the issue of 40,000,000 Shares at \$0.20 per Share to New Investors.

Offer (\$8,000,000 raised)

Issued Share Capital	Number of Shares	% of Shares
Shares on issue as at the date of the Prospectus	40,775,040	50%
Shares to be issued pursuant to the Prospectus	40,000,000	50%
Total Shares on issue at the close of the Offer	80,775,040	

Offer with maximum oversubscriptions (\$10,000,000 raised)

Issued Share Capital	Number of Shares	% of Shares
Shares on issue as at the date of the Prospectus	40,775,040	45%
Shares to be issued pursuant to the Prospectus	50,000,000	55%
Total Shares on issue at the close of the Offer	90,775,040	

The Company has granted rights to acquire 6,279,999 shares to directors and an employee, with an exercise price of 30c and an expiry date of 4 May 2011. The Company has granted the sponsoring broker a right to acquire 500,000 shares at an exercise price of 25c with an expiry date 2 years after quotation of the Company's shares on the ASX.

Applications

An Application for Shares in the Offer can only be made by completing the Application Form attached to this Prospectus.

Applications will not be accepted until after the conclusion of the Exposure Period. It is expected the Opening Date for the Offer will be 2 March 2007.

Applications must be for a minimum of 10,000 Shares and thereafter in multiples of 1,000 Shares. Cheques should be in Australian currency and made payable to "King Solomon Mines Limited Share Offer" and crossed "Not Negotiable".

Completed Application form(s) must be sent to:

King Solomon Mines Limited
c/- Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth WA 6000
GPO Box D182
Perth WA 6840
Australia

Capital Structure

The capital structure of the Company following completion of the Offer, net of capital raising expenses is summarised below:

Application Monies will be held in a separate bank account in trust for the Applicants until allotment of Shares occurs.

Completed Application Form(s) and cheque(s) should be sent to the Share Registry in accordance with the instructions on the reverse side of the Application Form. Applications must be received by the Closing Date being 5.00 pm EST on 2 April 2007 (subject to the right of the Directors to close the Offer earlier or to extend the date without notice). Payments by cheque will be deemed to be made when the cheque is honoured by the bank on which it is drawn.

A completed and lodged Application Form, together with a cheque for the Application Monies, constitutes a binding and, subject to any express terms of the Offer to the contrary, irrevocable application for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a binding application.

Applications in New Zealand

The Offer is being made in New Zealand pursuant to the Securities Act (Australian Issuers) Exemption Notice 2002. Although a copy of the Prospectus has been received by the Registrar of Companies in New Zealand, the Prospectus has not been registered in New Zealand under New Zealand law and it may

not contain all the information that a New Zealand registered prospectus is required to contain. The Shares are not intended to be listed on the New Zealand Stock Exchange and New Zealand resident investors may not have access to the information concerning the Company in the same way as investors have in relation to an issuer listed on the New Zealand Stock Exchange. New Zealand investors should satisfy themselves as to the tax implications if investing in equity securities and should be aware that investing in the Shares may carry with it a currency exchange risk.

The Company will, within 5 working days of receiving a request of an offeree for a copy of the Prospectus, without fee, send, or cause to be sent, to that person a copy of the Prospectus, copies of any documents that, under the laws of Australia, must accompany any copy of the Prospectus sent to any person to whom the Offer is made in Australia and a copy of any document lodged with ASIC that is referred to in the Prospectus and which is taken to be included in the Prospectus under section 712 of the Corporations Act. In respect of any dispute concerning the contract for the issue of the Shares, the Company agrees to submit to the non-exclusive jurisdiction of the New Zealand courts. New Zealand investors should be aware that notwithstanding the foregoing, the contract in respect of the Shares may not always be enforceable in New Zealand Courts and the Company may not be subject in all respects to New Zealand law.

Applicants outside Australia and New Zealand

Investors outside Australia and New Zealand should consult their professional advisors as to whether governmental or other consents are required, or other formalities need to be observed, before taking up Shares pursuant to this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. Where this Prospectus has been dispatched to persons domiciled outside of Australia, and where that country's securities code or legislation requires registration of a prospectus, this Prospectus is provided for information purposes only. No action has been taken to register or qualify this Prospectus or to otherwise permit a public offering of Shares outside Australia and New Zealand.

It is the responsibility of non-Australian and non-New Zealand resident investors to obtain all necessary approvals for applying for Shares pursuant to this Prospectus. The return of a

completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all approvals necessary in the jurisdiction in which the Applicant resides have been obtained.

Allotments

Allotment of Shares will be made as soon as practicable after the Closing Date. The Company reserves the right to allot Shares in full for any Application or to allot any lesser number and to decline any Application received.

Where the number of Shares allotted is less than the number applied for, the surplus Application Monies will be returned by cheque within 14 days after the Closing Date. Where no allotment is made, the amount tendered on application with the relevant Application Form will be returned in full by cheque within 14 days after the Closing Date. Interest will not be paid on monies refunded.

If the Application Form is not completed correctly, or if the accompanying payment of the Application Monies is for the wrong amount it may still be treated as a valid Application. The Directors' decision whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for Application Monies.

Minimum Subscription

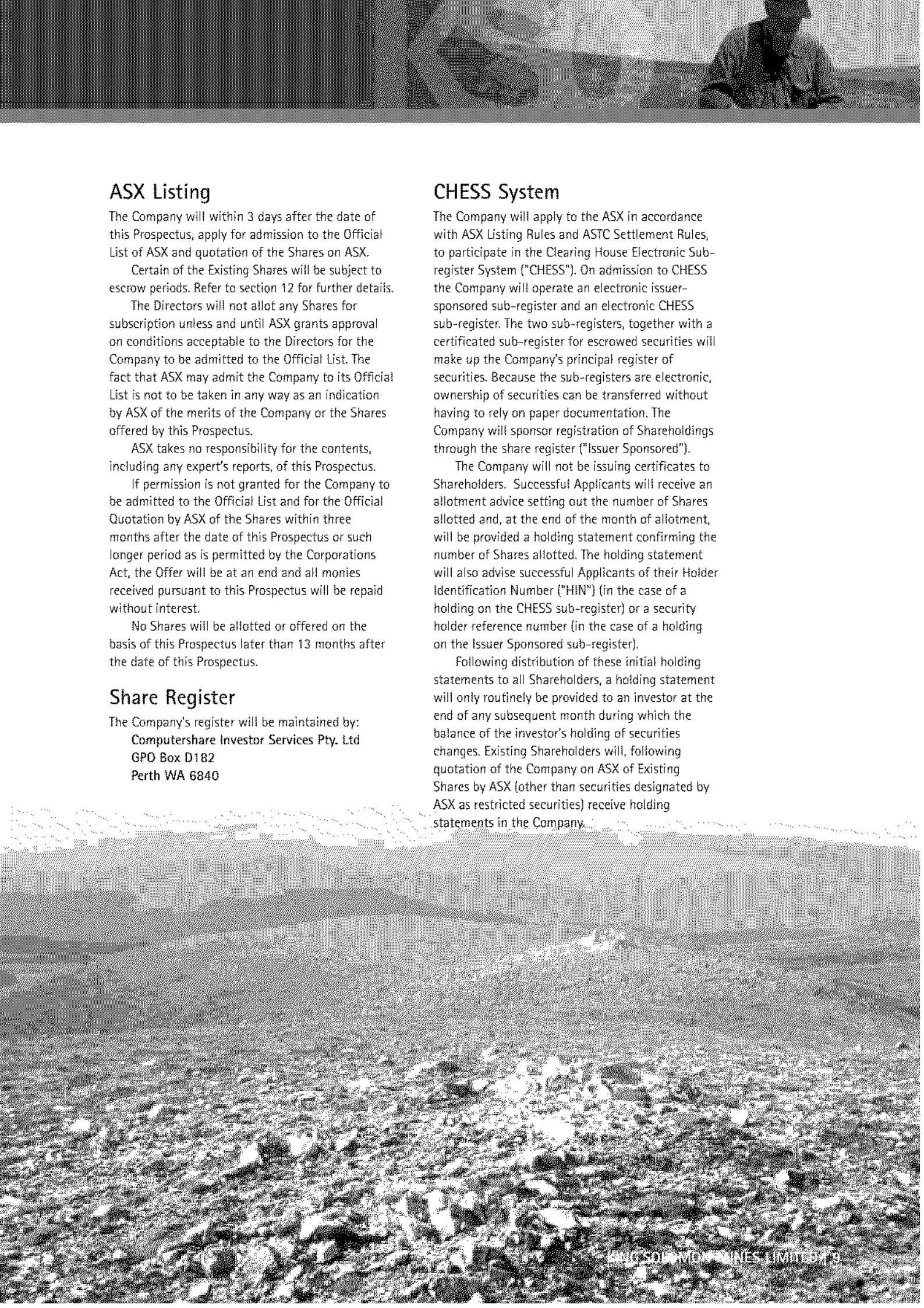
The minimum subscription amount to be raised pursuant to this Prospectus is \$8,000,000. If the minimum subscription is not achieved within three months after the date of this Prospectus, the Company will either repay the Application Monies to the Applicants without interest or issue a supplementary or replacement Prospectus and allow Applicants one month to withdraw their Application and be repaid their Application Monies. In accordance with the Corporations Act, no Shares will be allotted by the Company until the minimum subscription has been subscribed.

Oversubscriptions

The Directors reserve the right to accept oversubscriptions to a maximum of 10 million Shares raising an additional \$2,000,000.

Fees

Fees payable by the Company in connection with the Offer are set out in section 12 of this Prospectus.



ASX Listing

The Company will within 3 days after the date of this Prospectus, apply for admission to the Official List of ASX and quotation of the Shares on ASX.

Certain of the Existing Shares will be subject to escrow periods. Refer to section 12 for further details.

The Directors will not allot any Shares for subscription unless and until ASX grants approval on conditions acceptable to the Directors for the Company to be admitted to the Official List. The fact that ASX may admit the Company to its Official List is not to be taken in any way as an indication by ASX of the merits of the Company or the Shares offered by this Prospectus.

ASX takes no responsibility for the contents, including any expert's reports, of this Prospectus.

If permission is not granted for the Company to be admitted to the Official List and for the Official Quotation by ASX of the Shares within three months after the date of this Prospectus or such longer period as is permitted by the Corporations Act, the Offer will be at an end and all monies received pursuant to this Prospectus will be repaid without interest.

No Shares will be allotted or offered on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Share Register

The Company's register will be maintained by:
Computershare Investor Services Pty. Ltd
GPO Box D182
Perth WA 6840

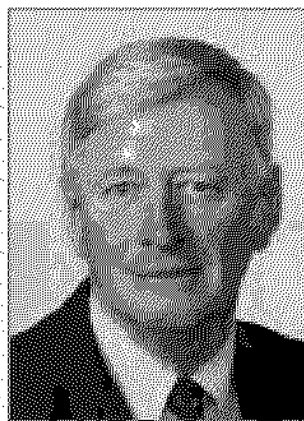
CHESS System

The Company will apply to the ASX in accordance with ASX Listing Rules and ASTC Settlement Rules, to participate in the Clearing House Electronic Sub-register System ("CHESS"). On admission to CHESS the Company will operate an electronic issuer-sponsored sub-register and an electronic CHESS sub-register. The two sub-registers, together with a certificated sub-register for escrowed securities will make up the Company's principal register of securities. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely on paper documentation. The Company will sponsor registration of Shareholdings through the share register ("Issuer Sponsored").

The Company will not be issuing certificates to Shareholders. Successful Applicants will receive an allotment advice setting out the number of Shares allotted and, at the end of the month of allotment, will be provided a holding statement confirming the number of Shares allotted. The holding statement will also advise successful Applicants of their Holder Identification Number ("HIN") (in the case of a holding on the CHESS sub-register) or a security holder reference number (in the case of a holding on the Issuer Sponsored sub-register).

Following distribution of these initial holding statements to all Shareholders, a holding statement will only routinely be provided to an investor at the end of any subsequent month during which the balance of the investor's holding of securities changes. Existing Shareholders will, following quotation of the Company on ASX of Existing Shares by ASX (other than securities designated by ASX as restricted securities) receive holding statements in the Company.

3 Directors



Mr John Quinn

B.Com.

Non-Executive Chairman (60)

John's career spans more than 30 years in the mining industry. He was involved from the start in the discovery and development of the Telfer and New Celebration Mines for Newmont Mining Corporation in the 1970's and played a key role in the formation of Newmont Australia in 1987 as well as the creation of Newcrest Mining Limited in 1990 where he was Managing Director for 8 years.

During his tenure at Newcrest, he formulated and implemented the strategies that led to the discovery and development of the Cadia, Ridgeway, Gosowong and the Telfer "I" Series orebodies. John was also the Chairman of the Newmont Mining Corporation subsidiaries which discovered the Mesel and Batu Hijau orebodies in Indonesia.

John was appointed Non-Executive Chairman of Perseverance Corporation in 2001 at a time when it was a declining producer of gold from low grade oxide deposits using heap leach techniques. On assuming the role of Executive Chairman he redirected the Company's energies to the evaluation of the sulphide mineralisation at Fosterville. This initiative led to the discovery of the Phoenix orebody, the definition of more than 3 million ounces of gold within the Fosterville mining licence and the development of a mine and mill to exploit those sulphide deposits. His role reverted to Non-Executive status in 2005.



Mr Stephen McPhail

M.Sc., M.B.A.

Managing Director (48)

Stephen has 18 years experience in the mining industry. He managed Todd Corporation Limited's ("Todd") gold and base metals business from 1988-1993. Todd is a significant New Zealand investor in the resources sector. In 1994, he co-founded Highlake Resources NL ("Highlake") with Bruce Bell and was a non-executive director until 1998. He had a key role in the IPO of Highlake and negotiated the merger of Highlake with Ballarat Goldfields in 1998.

From 1999-2002, Stephen was CEO of Morel & Co Ltd. - at that time New Zealand's principal investment bank focused on the technology sector. He has raised capital for many businesses including \$7 million for Highlake and has been a non-executive director on several boards.

In 2003, he left Morel & Co to focus on King Solomon which he had established with Bruce Bell and Fu La.

Mr Bruce Bell

B.Sc. (Geology), F.AusIMM (CP)

Executive Director (60)

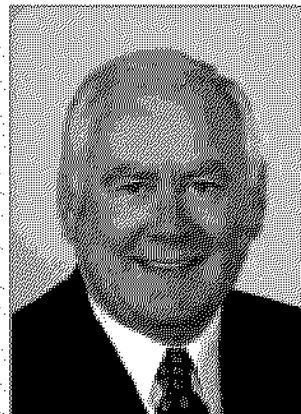
Bruce brings to King Solomon over 30 years of mineral exploration expertise in Australia, New Zealand, North America, the Pacific Islands and China.

Bruce's working experience has ranged from field geologist through to public company CEO. He has worked for US Steel, Teck, Canyon Resources, Delta Gold NL ("Delta"), Sigma Resources NL ("Sigma"), Highlake and Ballarat Goldfields and has consulted to Todd. He was a founding shareholder and executive of Delta which listed in 1983. He was a director of Delta from 1985-89.

In 1986, he was appointed managing director of Sigma in New Zealand. Sigma listed in New Zealand in 1987 and was taken over by Delta in 1988.

In 1994, Bruce co-founded Highlake – an Australian gold explorer. He managed Highlake through a public listing in 1996 and a merger with Ballarat Goldfields in 1998.

Bruce manages King Solomon's exploration program.



Mr Fu La

Executive Director (57)

Fu La graduated with a Diploma of Business in Economics and Management from the Inner Mongolia Finance & Economics College. He worked for 15 years in the commodity logistics industry for the Inner Mongolia Bureau of Commodity Logistics.

In 1996, Fu La founded AMI Ltd – a commodity trade company specialising in importing aluminium powder from Australia to China. He was the managing director of that company from 1996 to 2000. During that period, Fu La became increasingly interested in the mining industry both in Australia and China and participated in gold mining projects in Inner Mongolia, China.

In 2001, Fu La co-founded AMX in Inner Mongolia. The company has been involved in importing cattle from both Australia and New Zealand to China.

As an ethnic Mongolian and a successful entrepreneur as well as a former CPC (the Communist Party of China) official, Fu La is responsible for acquiring minerals licences and negotiating with KSM's potential joint venture partners in China.



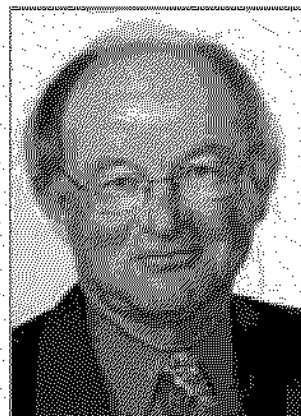
Mr Christopher Castle

B.C.A., A.C.A., C.F.I.P.

Non-Executive Director (56)

Chris is a chartered accountant with 30 years experience in the investment and corporate finance sectors. He was a founding director of Spectrum Resources Ltd and Premier Mining Securities Ltd and has held directorships in eight NZX listed companies. His mining and mineral exploration background includes (as an executive of Brierley Investments Ltd from 1975-1982) a series of projects with Amoill NZ Limited, Kanieri Gold Dredging Limited and Australian Anglo-American Limited.

He established Widespread Portfolios Limited in 1989 as a mining focused investor and share-trader. Since September 1999 Chris has been managing the company on a full time basis. He is also a non-executive director of Asian Mineral Resources Ltd. (listed on the Venture Exchange of the Toronto Stock Exchange ("TSX.V")) and a director of Widespread Energy Limited (listed on the NZAX Alternative Market) and is managing director of Widespread Limited and Mineral Investments Limited.



Exploration and Mining in China

General Background

China is the world's fourth-largest country with an area of approximately 9,600,000 square kilometres. It has a population estimated at approximately 1.3 billion people. China is the 8th largest economy in the world.

As a member of the World Trade Organisation, China has developed an increasingly open economy. Foreign investments have played a role in all sectors of its economic development, including the mining and exploration industry. By the end of 2005, over 80 foreign mining companies ("FMC's") had invested in China through various forms of joint-ventures or as wholly owned foreign entities.

Natural resources in China are the property of the State. The exploration and mining activities of FMCs in China are subject to extensive laws and regulations at the national, provincial and local level. These laws and regulations govern foreign investment enterprises ("FIE's") in China in general, as do various rules and policies of the Ministry of Land and Resources ("MOLAR") in particular. Plate is an FIE.

MOLAR is the ministerial government agency with centralised control over all mineral resources in China. MOLAR and its provincial agencies are responsible for issuing exploration and mining licences, which represent the rights to explore and mine natural resources in China.

Equity Joint Ventures

Foreign investment in exploration and mining may be by way of an equity joint venture ("EJV") or co-operative joint venture with Chinese partners or a wholly foreign owned enterprise. Historically EJVs, have been the most popular form of FIEs. They are recognised as economic enterprises with independent legal personality under Chinese law and they enjoy limited liability. Once established and approved by the relevant authorities, EJVs are free to carry on business within the framework of Chinese law and their own constitutional documents.

The parties to an EJV are required to share its profits and bear risks and losses in accordance with their share of the registered capital. Duration of the joint venture is usually fixed by the parties at 10 to 30 years. If the foreign party wishes to withdraw its investment before the end of the joint venture's lifespan, it will be required to do so either by assignment to another investor or by liquidation of

the joint venture, both of which require approval. Upon termination of the joint venture, the proceeds of liquidation are distributed between the parties on the basis of their capital contributions.

Minimum levels of registered capital in proportion to debt have been established by China and EJVs are required to comply with these.

FMCs are permitted to invest through an EJV in exploration and mining ventures in China subject to the following basic guidelines:

- the establishment of an EJV, must be approved by Ministry of Commerce or its local counterpart and registered with the State Administration for Industry and Commerce or its local counterpart which issues a business licence;
- an EJV must apply for an exploration or mining licence from MOLAR or its local counterpart in order to conduct exploration or mining activities;
- the holders of exploration rights have priority to obtain mining licences over the same areas within the valid term of the exploration licences; and
- exploration and mining rights are transferable with government approval pursuant to the regulations and procedure issued by MOLAR.

Taxation

China's fiscal policies encourage foreign investment especially in the autonomous regions (such as Inner Mongolia). An income tax rate of 33% (includes 30% state tax and 3% local tax) applies to FIEs.

In Inner Mongolia, FIEs engaged in mining of metals (other than gold or other precious metals) enjoy an exemption from state income taxes for the 2 years starting from the year the FIE first makes a profit. The state tax for the third to fifth years after a profit is achieved is reduced by 50%.

PRC legislators are currently reviewing a far-reaching set of amendments to China's enterprise income tax system, which if implemented would result in FIEs and domestically funded companies becoming subject to the same tax rules and would likely affect the effective tax rate of FIEs such as Plate.

Repatriation of Profits

Full repatriation of profits and capital is allowed when invested in China through a FIE.

Foreign Investment Classification System

The conduct of mineral exploration and mining of different minerals by FIEs in China is classified as being Encouraged, Permitted, Restricted or Prohibited. The classification of King Solomon's principal target minerals is summarised in the following table:

Mineral	Classification
Copper	Encouraged
Nickel	Permitted
Gold	• <i>mining and dressing of low grade, refractory ore</i> Encouraged • <i>other</i> Restricted
Iron	Encouraged

How a particular foreign-invested mineral project is classified is governed by the Chinese Regulations on Guiding the Direction of Foreign Investment and the accompanying Catalogue Guiding Foreign Investment in Industry and will influence the level of government from which approval is required. The extent of the approval process can only be determined based on the size and nature of the particular project. In this context, the classification "Restricted" means that approval may not be delegated below the provincial government level irrespective of the level of investment that may be involved. In contrast, the classifications "Permitted" and "Encouraged" mean that approval of the local or provincial government (as opposed to the central government) will in most cases be sufficient so long as the total investment of the project is less than US\$100 million.

Mineral Resources Licence System

The relevant licences are summarised below, along with their restrictions:

• Exploration Licences

Exploration licences are issued by MOLAR or its provincial counterparts. Each licence for exploring metal minerals is limited to a maximum area of just over 137 square kilometres. Licences are issued for a maximum three-year period, renewable upon application for periods not to exceed two years for each extension. Licence holders must pay an annual exploration fee ranging from RMB100 to RMB500 (\$20 - \$80) per square kilometre. Minimum exploration expenditures of RMB2,000 (\$300) in the first year, RMB5,000 (\$800) in the second year and RMB10,000 (\$1,600) in the third year for each square kilometre must be committed within the area covered by an exploration licence. Certain exemptions may apply.

Other obligations of exploration licence holders include: paying compensation for land use rights;

meeting reporting requirements of the local county and licensing authorities; initiating exploration within six months of the issuance of the exploration licence; conducting exploration activities in accordance with the exploration licences; and conducting a comprehensive exploration program for all specified and associated minerals.

• Reservation of exploration licences

When an economic deposit is discovered, the exploration licence holder may apply for a two-year reservation of the exploration licences covering the area of the deposit, but must apply at least 30 days prior to expiration of the licence term. The exploration licences holder may apply for such a reservation twice, with each term not to exceed two years (i.e. the maximum period for reservation is four years).

• Mining Licences

Mining licences are issued by MOLAR or its provincial counterparts. A mining licence is required to mine any mineral resources within China. The holders of exploration rights have priority to obtain mining licences on the same areas within the valid term and reserved term of the exploration licences. Holders of mining licences are required to pay mining fees, which are calculated and payable annually, depending on the number of square kilometres within the mining licence. If the mining project is large, the mining licence is normally valid for a period of up to 30 years, 20 years for medium-scale projects, and 10 years for small-scale projects. Applications can be made to extend the period of the mining licence.

• Restrictions on Transfer of Exploration and Mining Rights

An exploration licence-holder requires approval to transfer exploration rights to another party and must fulfil certain conditions. These include: a two-year minimum holding period following the issue of the licence, or alternatively, the discovery of a mineral deposit within the area under the exploration licence; specified minimum exploration expenditures; no disputes regarding the exploration rights; payment for the exploration rights; and any other conditions that may be required by the relevant department of MOLAR.

Environmental Laws

Mineral exploration and mining must be carried out in compliance with all environmental legislation and regulations including the Environmental Protection Law. An environmental impact assessment report must be filed when applying for the establishment of a mineral exploration or mining company and when applying for a mining licence. Costs incurred by the Company to comply with environmental regulations to date have been nominal compared to its exploration expenditures.

5

Investment Overview

History and Development of the Business

King Solomon was incorporated in New Zealand on 28 January 2003. It was established to take over the mineral exploration interests in Inner Mongolia, China, of Fu La, Bruce Bell and Stephen McPhail. Fu La and Bruce Bell had been working on exploration projects together since 2000 with Stephen McPhail joining them in 2002.

The principal business of the Company is the acquisition, exploration and development of mineral resource projects in China.

At the Company's request and as agent for the Company, AMX applied for and secured four exploration licences comprising 186 km² near Sonid Zouqi in 2004. These licences were explored by the Company while the two parties established Plate. The Company has paid for all of the costs of acquiring and exploring these licences. AMX is in the process of transferring these exploration licences to Plate for no cash consideration.

In August 2006, Plate was successful in securing a contract to acquire two further exploration licences containing the Wurutu and Amoyite projects for a total cost of RMB750,000 (\$120,000) from TKE.

The Company holds the rights to its exploration projects through a 90% equity interest in Plate, a Sino-foreign incorporated joint venture which holds the rights to acquire the six exploration licences referred to above. The remaining 10% interest in Plate is held by AMX which is jointly owned by Fu La who is a director of the Company and his wife Na Dong.

The rights of the Company and AMX as shareholders of Plate are governed by an equity joint venture contract.

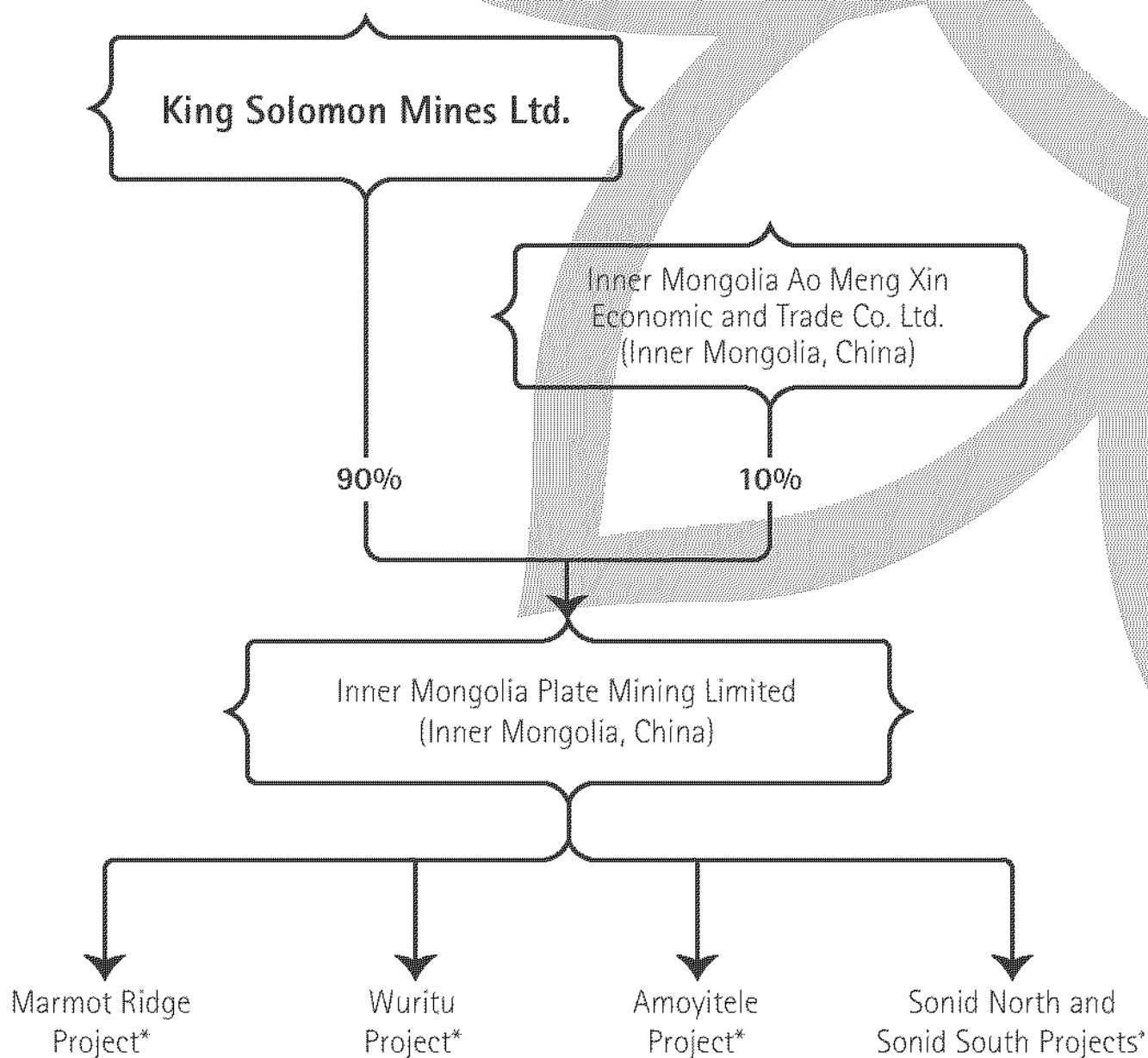
Plate was established for a term of twenty years, to act as an EJV to pursue exploration opportunities in Inner Mongolia.

Corporate Structure

The Company's registered and administrative office is at 3 Mutu Road, Paekakariki 5034, New Zealand. Its principal business office is at Unit 31, 2 Bishop Dunn Place, East Tamaki 2013, New Zealand. Plate has an office at Zihua Hotel, Level 4, Qiao Hua Shi Ji Cun, Da Xue Dong Lu, Huhhot City, Inner Mongolia, China.

The Company has control of Plate as it is entitled to appoint 2 of the 3 members of Plate's board of directors. The Company's interest in Plate is described throughout this Prospectus as a 90% interest. In addition, AMX holds its 10% interest in Plate on trust for the Company and the Company has provided, and intends to continue to provide, the capital contribution of itself and AMX to Plate.

The Company has no other active subsidiaries. The chart on the following page outlines the corporate structure of the Company as it relates to Plate.



* Please refer to the final paragraph of the Important Notice for information on how the Company holds its interest in these projects.

The table below describes the relationship between the projects, the exploration licences they are located on and the vendor of the licences to Plate.

Project	Vendor	Exploration Licence
Marmot Ridge	AMX	1525000630286
Wuritu	TKE	1525000630172
Amoyitele	TKE	1525000630171
Sonid North	AMX	1525000630287
Sonid South	AMX	1525000630284
Sonid South	AMX	1525000630285

6

Exploration Review and Introduction to the Projects

Introduction

The purpose of this review is to provide information on the exploration potential of Inner Mongolia; the exploration strategy of King Solomon; and, the key aspects including target models of each of the Company's current projects. The projects are presented in more detail in the report by SRK Consulting that forms Section 7 of this prospectus. Please refer to the final paragraph of the Important Notice for information on how the Company holds its interest in these projects.

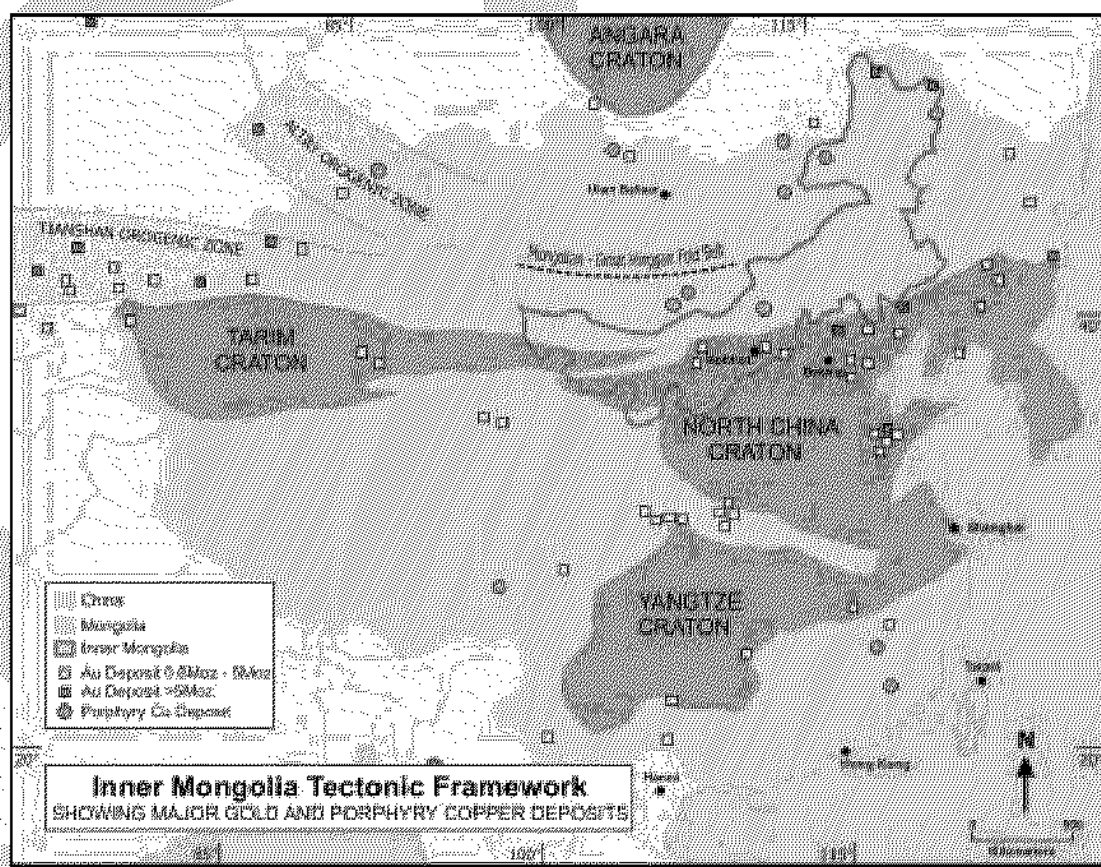
Inner Mongolia

Inner Mongolia is a land-locked northern Chinese frontier region sharing approximately 3,200 km of border with Mongolia and approximately 1,000 km with Siberia. It borders on eight other Chinese provinces or autonomous regions and is occupied by 49 ethnic groups for a total population of 23 million. It is a land of Gobi desert fringe-lands,

extensive rolling grasslands and low mountain ranges. It is sparsely populated outside of the cities scattered along its southern fringe, the largest of which is the provincial capital, Hohhot (Pop 1.5 million). Its area of 1.18 million sq km is comparable in size with South Australia and Victoria combined. It was the homeland of Genghis Khan and is now a producer of grains and livestock products, energy and raw materials.

King Solomon has focused its exploration activities on Inner Mongolia because it is a large area of very high mineral prospectivity but with a still relatively immature exploration history. The latter is a consequence not just of the remoteness and dryness of the province but also, from a global mining industry perspective, of an historic wariness of the pre-21st Century Chinese operating environment. With new mining legislation and the opening of the Chinese mining industry to foreign participation (concurrent with admission of China to the World Trade Organisation), western exploration interest in Inner Mongolia is growing rapidly.

Figure 2:
Inner Mongolia
Tectonic Setting
and location of
major copper and
gold deposits



(Prepared by A B Bell for inclusion in this prospectus, February 2007)

Regional Geological Setting

The high prospectivity of Inner Mongolia exists by virtue of its geological setting astride the vast Mongolian–Great Hinggan Fold Belt (Figure 2). It also takes in a substantial section of the northern edge of the North China Platform, a geological terrane that has accounted for approximately 20% of China's gold production.

The Mongolian–Great Hinggan Fold Belt (MGHFB) is a large scale zone of complexly deformed rocks lying between the Angara (Siberian) craton to the north and the Tarim and North China cratons to the south.

It extends from Kazakhstan and Kyrgyzstan in the west to south-eastern Siberia in the east and takes in all of mineral-rich Mongolia. The Tien Shan and Altay gold belts of central Asia converge into the Fold Belt from the west and northwest respectively. These terranes host some of the world's largest copper and gold deposits and have been the targets of aggressive exploration over the last decade from both western and local companies and state mining organisations.

The complexity of the MGHFB derives firstly from accretionary processes along formerly opposing continental margins; secondly from the nature of the episodic collision movements that eventually closed the intervening Palaeozoic Solonker Ocean; and thirdly from ongoing crustal deformation associated with more recent Central Asian tectonic movements. The Belt consequently consists of Palaeozoic oceanic arc terranes in fault-bounded juxtaposition with Archaean–Proterozoic continental fragments, deformed ophiolites and related ocean-floor remnants, all overlain locally by shallow marine and more recent terrestrial sediments. Magmatism associated most particularly with the first two of five major orogenic episodes (Caledonian, Variscan, Indosinian, Yanshanian and Himalayan) that have influenced the region, has added a variety of plutonic, hypabyssal and volcanic rocks to the deformation mix.

The MGHFB is consequently highly prospective for a wide range of mineral commodities from active-plate-margin style precious and base metal deposits, through fossil fuels in post-Palaeozoic basins, to evaporites in the current landform cycle (Figure 3).

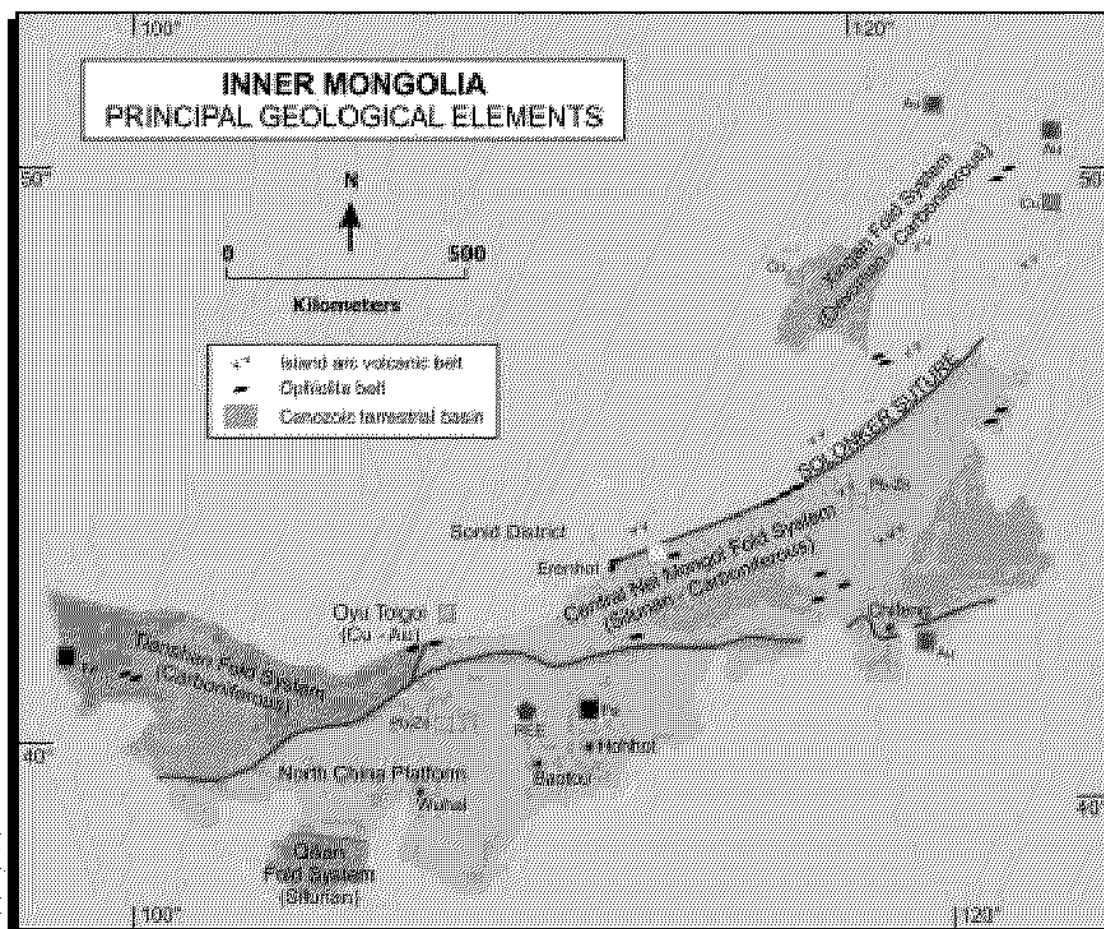


Figure 3:
Inner Mongolia
showing principal
geological
elements and
major mineral
deposits

(Prepared by A B Bell for inclusion in this prospectus, February 2007)

The North China Craton is a relatively small and deformed platform comprising three principal blocks, the westernmost of which passes through Inner Mongolia and on into northern Gansu province. This is the oldest and most stable part of the craton and contains some of the most valuable mineral deposits in Asia. Approximately 20% of China's present gold production is derived from the leading edge of the craton where Archaean gneiss basement and Palaeo-proterozoic metamorphic and igneous rocks outcrop through overlying clastic sediments. Inner Mongolia takes in approximately 1,000 km of this regime.

Exploration Potential

Inner Mongolia is rich in mineral occurrences with 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 the largest onshore field in China.

The same geological environments in neighbouring Mongolia have yielded significant resources of oil, coal, copper, molybdenum, tungsten, phosphates, tin, nickel, zinc, fluor spar, gold, silver, and iron. Included in its growing inventory is the world's largest known copper-gold deposit at Oyu Tolgoi being developed by Ivanhoe Mines and its very substantial shareholder, international mining group Rio Tinto.

Further westward along regional geological trends, Kazakhstan has major uranium, chromium, lead, and zinc reserves, and substantial manganese, copper, gold, coal and iron resources. It is also an exporter of diamonds. The adjacent Kyrgyz Republic is similarly rich in mineral resources including substantial deposits of coal, gold, uranium, antimony, and rare-earth metals.

Despite the exciting geological environment, the multitude of mineral occurrences and the undoubted capability of many Inner Mongolian government geological teams, exploration within the province remains relatively immature. This is a consequence of the historic limitation of mineral access and exploration to government agencies and the usually very limited budgets of those agencies. King Solomon has witnessed many instances of very encouraging results from surface prospecting either not being followed up by drilling or being abandoned

prematurely after insufficient drilling. In addition, while there has been a tradition of illegal mining in the province, it is generally carried out by very small groups of individuals more interested in finding a high-grade mineralised outcrop and mining until the returns are inadequate, rather than in undertaking systematic exploration.

Exploration Strategy

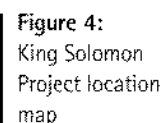
King Solomon's exploration strategy in Inner Mongolia has evolved from an initial "grass-roots" prospecting approach to a tighter set of guiding principles. The latter derive firstly from the Company's growing familiarity with the geological prospectivity of the various districts of the province, and secondly, from its experience with the tenement system, negotiation protocols and the sometimes conflicting requirements of the four levels of government. The driving principles of its strategy are:

- Focus on base metals and gold, in particular, porphyry and/or skarn copper, volcanogenic massive sulphides and orogenic gold.
- Focus on the geological belts that it considers most prospective for the above mineralisation styles, particularly in areas of those belts yet to be systematically explored.
- Awareness of the advantages of acquisition of mineral occurrence discoveries made by local explorers lacking the technical or financial abilities to advance them.
- Preference for situations where application of geological modelling and geophysical and/or geochemical surveys could lead to rapid project advancement.
- Consistent application of potential deposit size parameters – King Solomon's interest is in making major discoveries and it has chosen to operate in Inner Mongolia because of the large-scale deposit potential inherent in this environment.

Project Summary

King Solomon has two encouraging copper exploration projects located near the town of Sonid Zuoqi in north-central Inner Mongolia; two earlier stage gold exploration projects in the same district; and a copper/iron skarn project in the same county but further to the northwest and near the Mongolian border (Figure 4). It also has a pipeline of prospective gold or base metal projects to be followed up through the 2007 exploration season.

The Company's concentration of effort in the Sonid Zuoqi area is because it perceives this to be a newly emerging mineral district. Gold was



discovered in the area as recently as 1998 and there are now at least four mesothermal vein gold exploration projects under way. Prior to this there were only two iron-ore deposits and a modest copper prospect known in the area. King Solomon

has had the opportunity of establishing a good ground position in the district and in the course of its still very early systematic exploration has already established the Marmot Ridge copper project and indications of new gold occurrences at Sonid North.

The Marmot Ridge copper project is a new discovery by King Solomon. It consists of a large, copper-anomalous alteration system within a Palaeozoic sequence of basic to intermediate volcanic flows and fragmentals intruded by quartz diorite porphyry stocks and dykes and by later stage felsic dykes. This geological sequence lies within the northwest-southeast trending, fault-bound Marmot Structural Corridor (MSC, Figure 5) which is hosted in turn within a larger regional intermediate to acid intrusive complex.

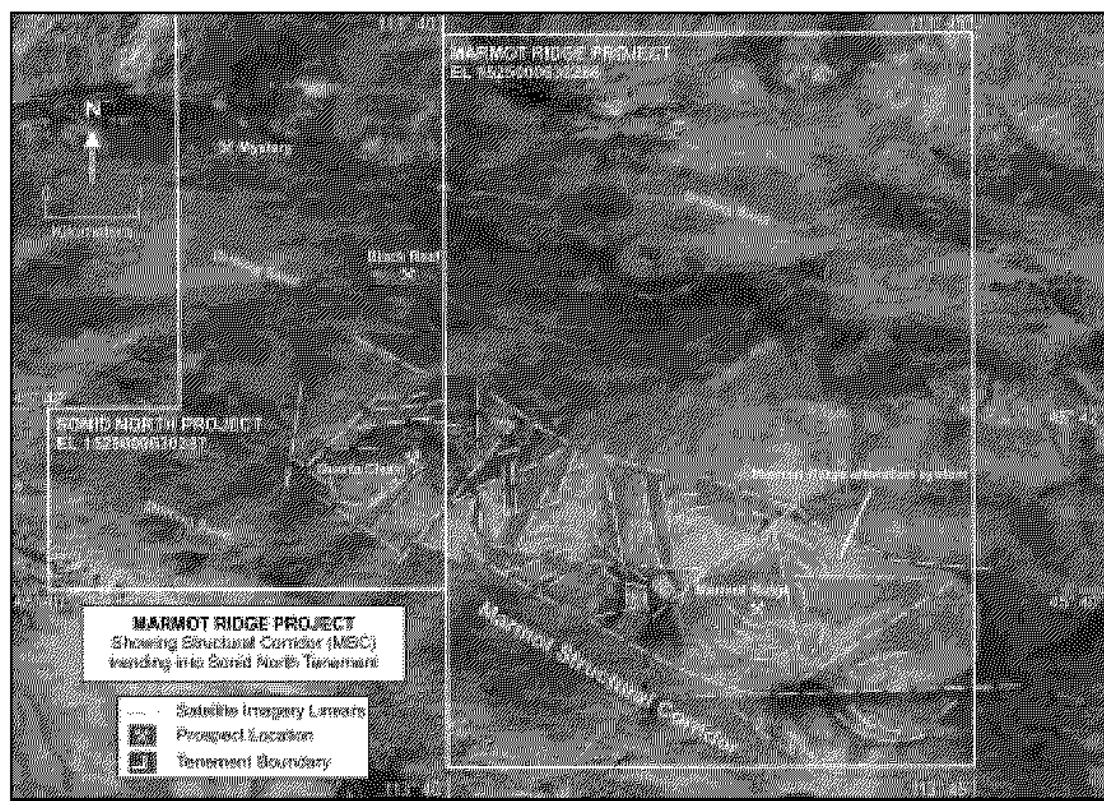
The alteration system is complicated by a sequence of geological events whereby an initial hydrothermal alteration episode associated with quartz diorite intrusives appears to have been overprinted at least twice, firstly by fluids associated with emplacement of an adjacent granodiorite stock and secondly by metamorphic fluids.

associated with an intense shear-dominant faulting episode. The deformation associated with the latter event has added another layer of complexity to the geological picture that needs to be carefully analysed as part of the exploration process.

King Solomon has completed a substantial amount of exploration work at Marmot Ridge including an initial 16 hole diamond drill program for 2,241m that has:

- Confirmed the sub-surface continuity of the alteration and copper anomalism indicated by surface mapping and sampling;
- Established ample room for discovery of a large-scale bulk-mining target; and,
- Advanced understanding of the geology of the system to the point of planning deep-penetrating geophysics and deeper drilling programs.

Figure 5:
Marmot Structural
Corridor (MSC)
superposed on
ASTER satellite
imagery



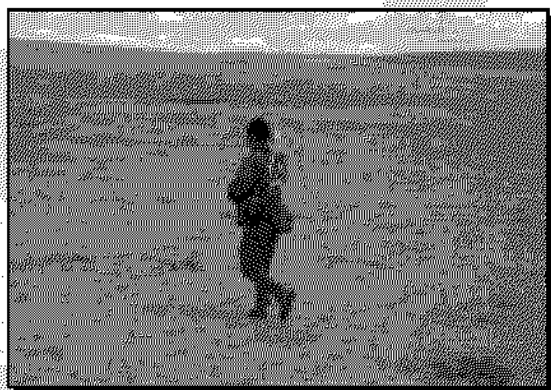
(Prepared by A B Bell for inclusion in this prospectus, February 2007)

King Solomon's objective at Marmot Ridge is the discovery of a porphyry copper deposit associated with the original hydrothermal alteration

Plate 1:
Diamond
drilling at
Marmot Ridge.



Plate 2:
Magnetic Survey
at Marmot Ridge



episode i.e. a large-scale, low-grade, bulk-mineable copper deposit. A number of such deposits are emerging from exploration on either side of the Inner Mongolia – Mongolia border. The company has noted the following favourable parameters within the project area:

- An appropriate Palaeozoic arc tectonic position;
- Hosting within an intermediate calc-alkaline volcano-intrusive complex;
- Stratification of volcanic lavas, tuffs and breccias;
- Presence of:
 - ~ late stage felsic volcanic flows and dykes;
 - ~ quartz diorite porphyry intrusives;
 - ~ intense and episodic alteration with strong zoning indications;
 - ~ local crackle fracturing, brecciation and quartz stockwork veining;
 - ~ zones of persistently anomalous copper geochemistry;
 - ~ quartz-hematite-magnetite zones; and,
 - ~ gossan capped, intensely altered, hydrothermal breccias.



Plate 3 (left):
Drill core showing
multiple fracture/
vein sets

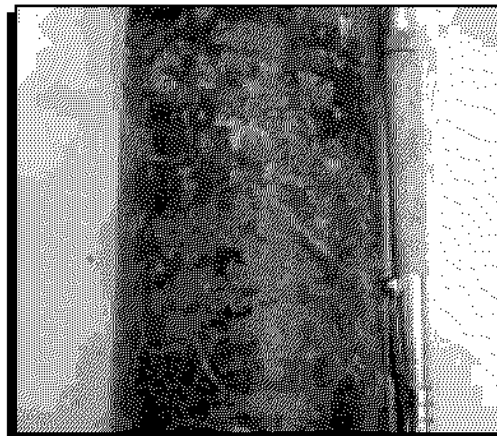


Plate 4 (right):
Drill core with
sulphides

For its next stage of exploration King Solomon will be focusing on further geophysical investigation and deeper drilling, most particularly in and around pronounced magnetic lows in the northern half of the MSC. Factors driving the latter emphasis include the possibility of contact metasomatic sulphide mobilisation from the southern granodiorite into the central or northern parts of the zone; the likelihood

of the magnetic lows representing a magnetite-destructive alteration phase; and, the observation that the predominance of volcanic rocks at surface suggests that the principal target might be expected to lie deeper than the levels investigated by drill-holes to date. These concepts are summarized in the accompanying north-south schematic cross section (Figure 6) through the MSC.

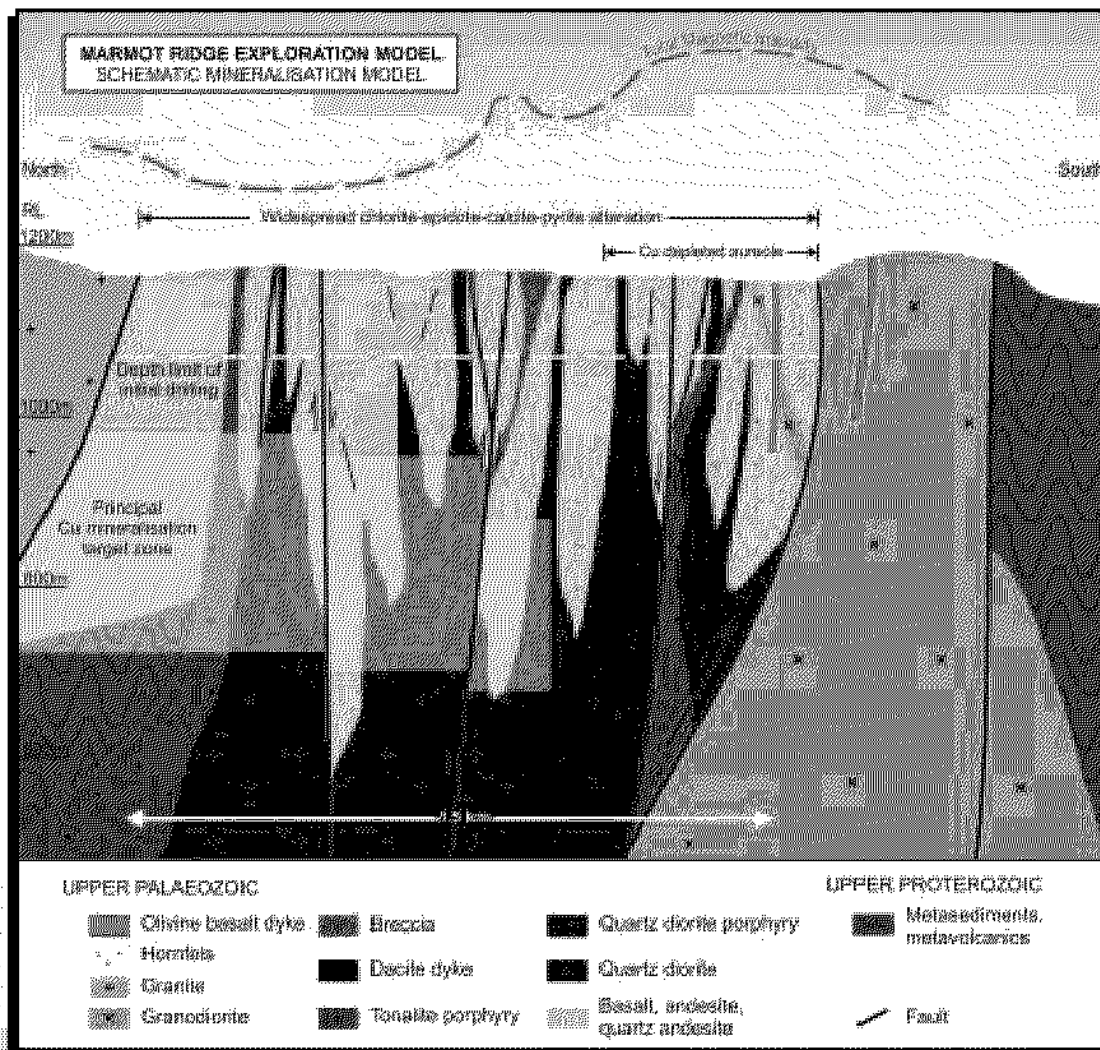
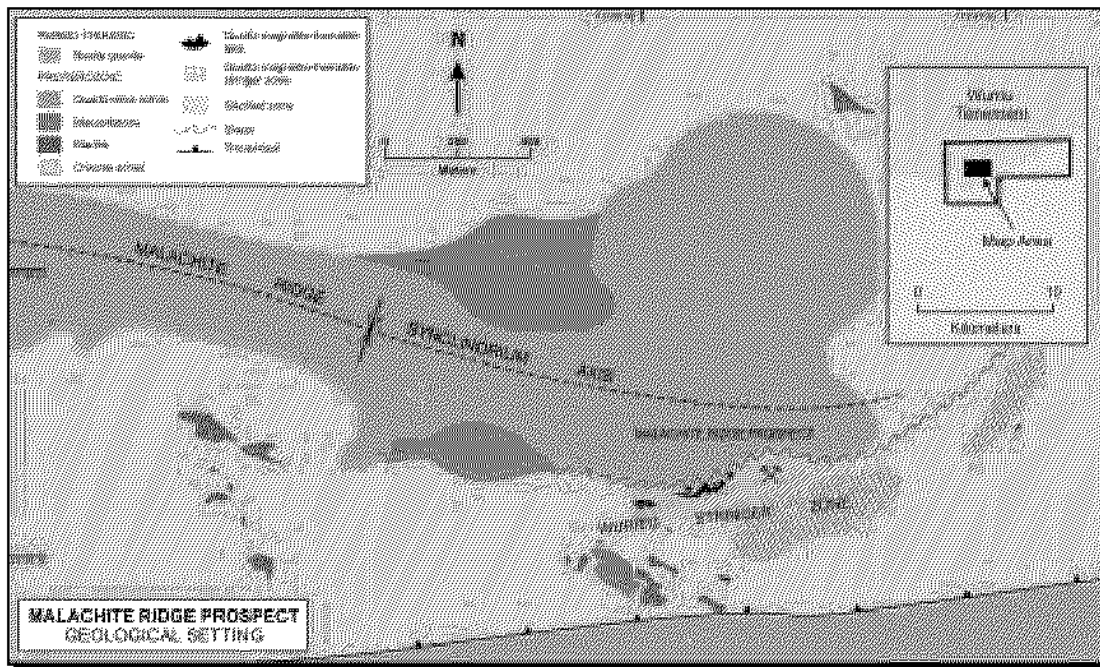


Figure 6:
Marmot Ridge
Schematic
Exploration model

(Prepared by A.B. Bell for inclusion in this prospectus, February 2007)

Wuritu Copper Project

Figure 7:
Malachite Ridge
Geological Setting



(Prepared by A B Bell for inclusion in this prospectus, February 2007)

The nearby Wuritu copper project is being acquired from TKE. Attention to date has been focused on the Malachite Ridge prospect (Figure 7) where the presence of strongly copper mineralised rock and soil samples at surface has established an attractive exploration target.

Exploration carried out by King Solomon at Malachite Ridge has yielded a 280m long open-ended copper-in-soil geochemical anomaly enclosing scattered outcrops and float of a malachite (copper carbonate)-rich quartz-magnetite-hematite rock. The occurrence lies within a regional scale (hundreds of metres wide) north-northeast trending shear zone. Outcrop within the shear zone is generally poor and the soil sampling was limited by thick colluvium. Potential consequently exists for extending the mineralised zone. A scatter of mineralised rock float along strike from the geochemical anomaly suggests at least 500m strike continuity and the large size of the shear complex allows for considerably more. Rock sampling has so far been restricted to grab sampling because of the paucity of coherent full-width outcrop. Trench excavation to more fully expose the copper-mineralised units is consequently a next stage priority. The grab sampling of the rare outcrops of mineralised rock consistently yield several percent copper and some very strongly

mineralised float samples have been collected. Precious metals are also present, albeit erratically, in the surface samples.

King Solomon's exploration model for Wuritu (Figure 8) is based on observation of repetitions of lensoidal magnetite bodies at an iron mine approximately 10km to the west. The lenses are well exposed in open-pits and are seen as being emplaced along shears within possibly the same shear complex. The result is repetition both along individual fault planes and throughout the width of the zone. Application of a similar control to the copper-magnetite association at Malachite Ridge is consistent with observations from the limited amount of geological exposure and consequent mapping completed to date. The presence of carbonate rocks in the hanging wall of the fault zone at Malachite Ridge, coupled with the proximity of granitic intrusives, adds another potential style of mineralisation.

The Malachite Ridge prospect has potential for early positive drill results and resource development. Priority will be given to refining drill targets by use of a combination of geophysical techniques (magnetic and EM surveys) trenching and deep soil sampling beneath the colluvium that thwarted King Solomon's initial intent of a more extensive grid.

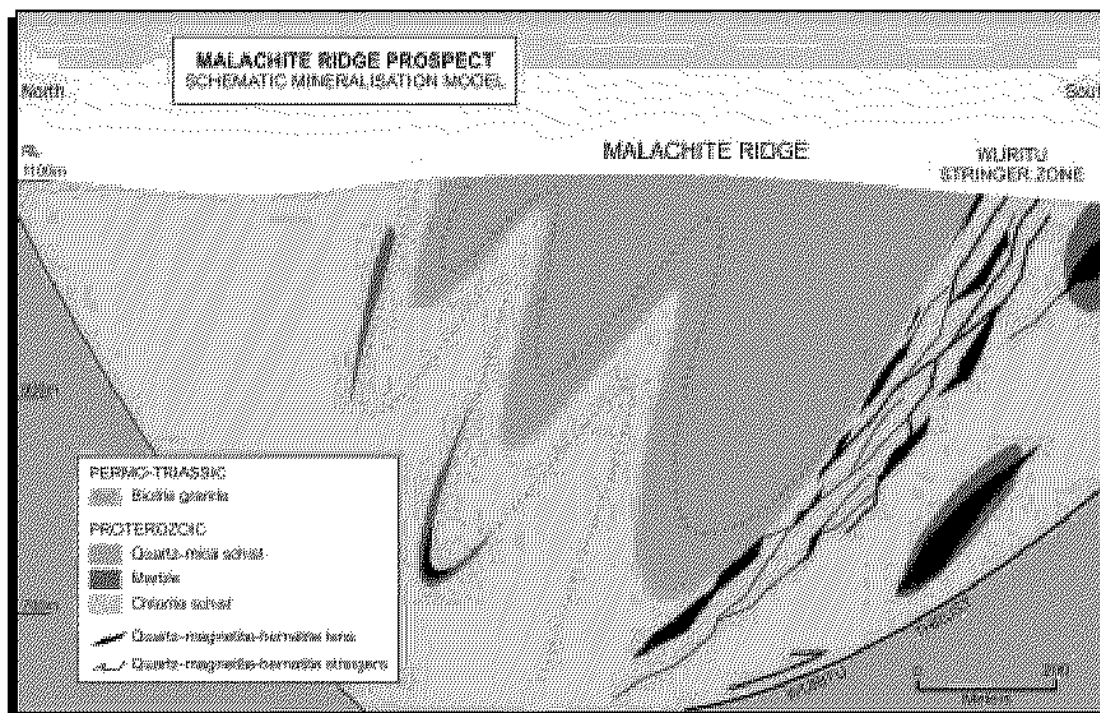


Figure 8:
Malachite Ridge
Schematic
Exploration
Model

(Prepared by A B Bell for inclusion in this prospectus, February 2007)

Amoyitele Project

King Solomon's Amoyitele project is located approximately 150 km northwest of Sonid Zuoqi and within 10 km of the Mongolian border. It consists of a number of magnetite-rich lode occurrences, some of which are carrying copper carbonate in outcrop. They are hosted either in Devonian calcareous sediments (skarn style) or in Upper Devonian granite (fault filling). Later granite porphyry, quartz porphyry and diorite porphyry dykes intrude both the granites and the sediments.

A former iron-ore mine 230m in strike extent and pitted to a depth of approximately 14m exists immediately south of the southern boundary of King Solomon's tenement. The workings strike northwest-southeast directly into King Solomon's ground. A scatter of quartz-magnetite vein outcrops and prospecting pits referred to as the Iron Princess prospect occurs approximately 1.5 km north of the southern boundary of the tenement.

Elsewhere on the tenement a 10 sq km zone of elevated nickel-in-soil values and a 3 sq km zone of anomalous lead-in-soil values have been delimited by government survey and await follow-up. No information has been located on either the magnitude of the anomalies or the underlying geology.



Plate 5:
Magnetite skarn
exposed in open-
pit trending into
Amoyitele
tenement.

Sonid North and Sonid South Gold Projects

King Solomon also has two regional gold exploration projects in the Sonid Zuoqi district. The **Sonid North** and **Sonid South** tenements (24.8 and 121.9 sq km respectively) adjoin gold projects being explored or developed by other parties. While the Company's exploration on these tenements is still at a relatively early stage, it has already discovered four multiple quartz vein prospects in the Sonid North property (North Trend, Mystery, Black Reef and Quartz Chain). From a very small amount of sampling undertaken to date, encouraging gold indications have already been found at the Mystery prospect (refer SRK report herein). Although still in its early stages, reconnaissance prospecting at Sonid South has yielded a quartz-magnetite shear zone and a number of small quartz occurrences, some of which have already been pitted by illegal miners.

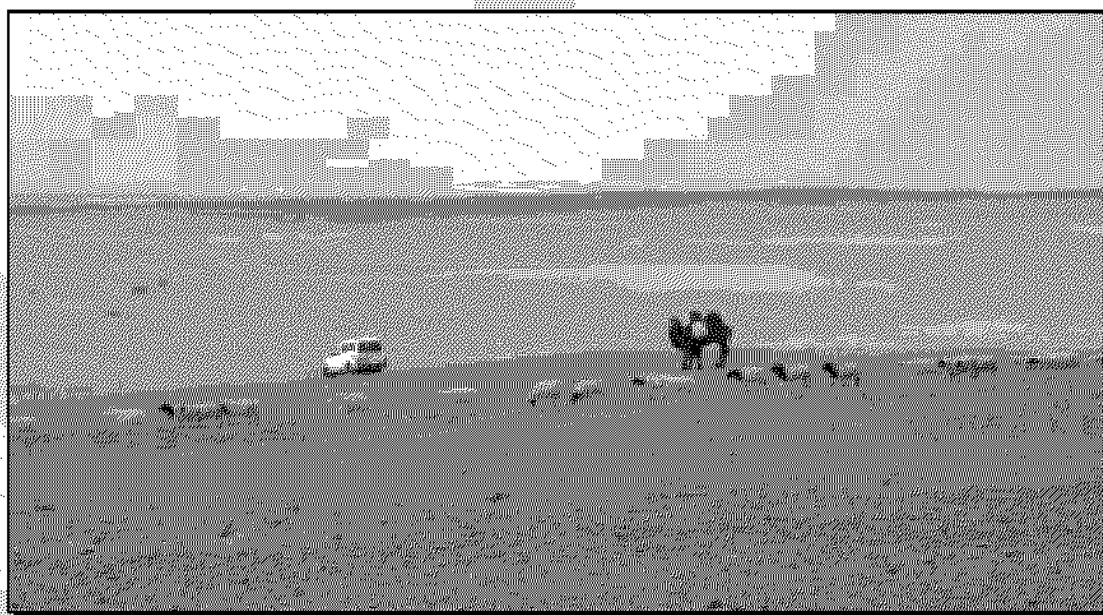
While King Solomon has been carefully studying the gold-mineralised mesothermal quartz veins being discovered in the Sonid district, its interest in this style of deposit as a mining target is secondary and limited either to substantial sized, potential long-life individual veins or to situations where there may be vein packages amenable to bulk-mining. Its principal interest is in disseminated gold mineralisation, a consequence of the potential for large-scale offered by this style of deposit. Its belief in the potential for local disseminated deposits is based on:

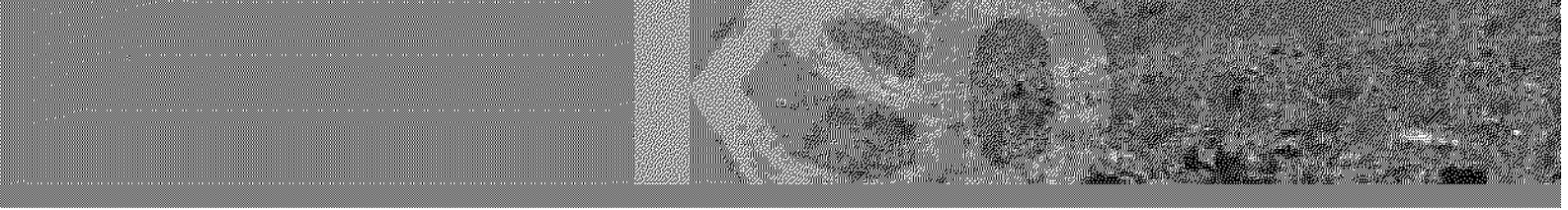
- An occurrence of this type at the Beyinhar project of TSX.V listed Golden China Resources Corporation (adjacent to Sonid South);

- The recognition of a similar style occurrence elsewhere in the district;
- The existence of very large strike-persistent shear zones in the district;
- The ongoing trend of gold mineralisation discoveries throughout the district;
- The existence of favourable structures and lithologies i.e. imbricate thrust sets and carbonate-rich sediments;
- The several square kilometre sizes of the identified vein fields; and,
- The realisation that such targets are likely, by virtue of their geometry and mineralisation style, to be relatively difficult to encounter and recognise in the semi-desert environment without a specifically targeted program, and consequently, likely to be missed by the previous prospectors.

With this exploration target in mind and building upon its initial satellite imagery analysis, King Solomon plans a step by step program focused on geologically-targeted geochemical surveys (BLEG, soil, lag and/or rock chip as appropriate) followed by more intensive surface and sub-surface sampling (trenching, pitting, RAB drilling) as merited by the nature of the targets that may emerge. While exploration is still at an early stage, a number of multiple quartz vein occurrences have already been located.

Plate 6:
The Sonid North
exploration
environment





Other Opportunities

Outside of its existing projects King Solomon has established a pipeline of gold and base metal opportunities ranging from relatively grassroots exploration through to operating mines. While some of these opportunities have been evaluated and

rejected, others have passed preliminary examination and are now at a more advanced, but still uncertain, assessment stage. There is no guarantee that the negotiations will be successful and no value has been attached to them for the purposes of this Prospectus.

Summary

King Solomon has established a company presence and an initial portfolio of projects in a prospective precious and base metal exploration frontier. Its strategy for building on this platform involves a combination of active resource pursuit within its initial portfolio, with new project investigations and acquisitions. This may involve joint venturing with

other companies to both spread risk and lift the rate of exploration expenditure. The directors of King Solomon are confident that judicious project selection and a high exploration turnover is a logical approach to becoming a major player in the emerging North-east Asia mining region.

Independent Geologists Report

Report Prepared for **King Solomon Mines**

Bishop's Gate Business Centre
2 Bishop Dunn Place,
South Auckland
New Zealand

Report Prepared by



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SRK Project Number KSM001
January 2007

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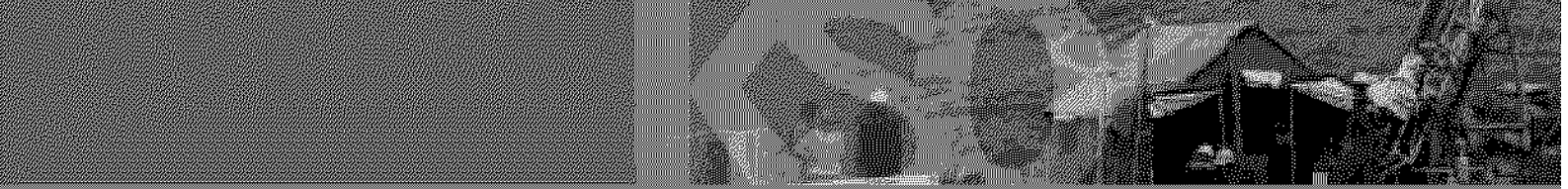


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29 January 2007

The Directors
King Solomon Mines Limited
Bishop's Gate Business Centre
2 Bishop Dunn Place
South Auckland
New Zealand

Dear Directors,

SRK Consulting ("SRK") has been commissioned by King Solomon Mines Limited ("KSM") to provide an Independent Technical Assessment on the mineral exploration tenements located in Nei Mongol (Inner Mongolia), northern China. This Independent Technical Assessment is to be included in a Prospectus to be lodged with the Australian Securities and Investments Commission ("ASIC") on or about 14 February, 2007. The Prospectus will offer 40,000,000 shares at an issue price of \$0.20 per share (the "Prospectus"), to raise a total of \$8,000,000 (before costs associated with the issue).

Standard and Purpose of the Report

This report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code is the code adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG), and the standard is binding upon all AusIMM and AIG members. This report is not a Valuation Report and does not express an opinion as to the value of mineral assets or tenements involved, nor to the 'fairness and reasonableness' of any transactions between KSM and any other parties.

SRK Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK. SRK has no prior association with KSM in regard to the mineral tenements that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

Information Basis of this Report

SRK has derived the technical information which forms the basis of its Assessment on information provided by KSM. SRK has supplemented this information where necessary with information from its own extensive regional geological database. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by KSM prevail in this report. The past exploration history for these tenements has been derived from previous explorers reports, as provided by KSM. SRK has not conducted its own independent searches.

SRK and Authors

SRK is an international mining industry consulting company that has been providing services and high-level technical and financial advice to the mining industry since 1975. SRK has fully staffed independent offices in all major mining centres of the world. This report was compiled by Dr Louis Bucci, Senior Consultant Geologist with SRK Australasia, Dr Paul Hordkiewicz, Principal Geologist of SRK Australasia and Owen Herod, Consultant Geologist with SRK Australasia.

Dr Bucci has over nine years international commercial and academic experience, with an emphasis on investigating mineralised hydrothermal systems (including Au, Cu, Iron Ore and Ni). His recent experience has been focussed in the areas of geological due diligence, fatal flaw and project analysis, as well as targeting at the regional- and terrane-scale. Louis has extensive experience in the provision of Independent Technical Assessments (ITA) and Competent Person's Reports (CPR) for Initial Public Offerings (IPO) and other documents on the Australian Stock Exchange (ASX), Hong Kong Stock Exchange (HKSE) and Alternative Investment Market (AIM).

Dr Hodkiewicz has over fifteen years of experience in mining and exploration geology, and has worked on a variety of commodities and deposit styles, including gold (epithermal, Carlin-type, lode), porphyry copper, base-metal massive sulphides, PGE layered intrusions, iron and manganese. Paul has completed numerous ITAs and CPRs for Initial Public Offerings (IPO) and other documents on the ASX and Toronto Stock Exchange (TSX).

Mr Herod has over five years of commercial experience in the mining and exploration industries of Europe and Australia over a range of commodities. His recent experience is in areas of mine geology, 3D geological modelling and exploration technologies.

Drs Bucci and Hodkiewicz are considered competent persons with regards to the evaluation of Cu and Au exploration projects.

Warranties

KSM has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

Indemnities

As recommended by the VALMIN Code, KSM has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by KSM or to KSM not providing material information, or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

Consents

SRK consents to this Report being included, in full, in the KSM Prospectus, in the form and context in which the technical assessment is provided, and not for any other purpose.

SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and the Cover Letter.

Yours faithfully,
SRK Consulting



Louis Bucci, BAppSc (Geol), PhD, MAIG
Senior Consultant (Geology)

Disclaimer

The opinions expressed in this report have been based on the information supplied to Steffen Robertson & Kirsten (Australasia) Pty Ltd ("SRK") by King Solomon Mines ("KSM"). The opinions in this report are provided in response to a specific request from KSM to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

Summary

The mineral assets of King Solomon Mines (KSM) that are the subject of this report are predominantly copper and gold exploration properties. No JORC-compliant or other classified resource has been defined on any property presented in this report. As such, the properties are speculative by nature and involve varying degrees of exploration and financial risk.

Field and data reviews of the Projects indicate the occurrence of multiple styles of copper and gold mineralisations, which are aerially extensive and relatively poorly tested through historic exploration in the region. In light of this, SRK is of the view that the Projects are sufficiently prospective to warrant exploration at the budgetary levels indicated by the company in the initial stages of exploration. This report presents two main Projects and three less advanced Projects, and provides some comment on the additional opportunities inherent in KSM's presence and networks in the Chinese Province of Nei Mongol.

Marmot Ridge Copper Project

This is a new discovery made by KSM in the course of regional exploration in the Sonid Zuqi district of north-central Nei Mongol. The project is centred on a large, copper-anomalous hydrothermal alteration system associated with quartz diorite porphyry intrusives. The target lies within a 39.7 sq km Exploration Licence. KSM has undertaken initial and follow-up geological mapping, surface rock and lag sampling, hand-borne magnetics and an initial 2,241m drill program. Having thereby established parameters around the geology and geometry of the system, the company is now ready to undertake a major geophysical survey and follow-up deep drilling program. Existing surface and drill sampling indicates that potential exists at Marmot Ridge for the delineation of a large-scale low-grade copper system. The alteration system currently identified by KSM occurs in a geological environment favourable for porphyry copper-style mineralization, and exhibits many of the features that would be expected in the alteration shell mantling such a deposit. As with any exploration project, risk is a factor, and SRK considers this a moderate risk greenfields copper exploration play. In SRK's view, the exploration program proposed by KSM for the Marmot Ridge project has sound technical merit and is appropriately budgeted, given the current level of available information.

Wuritu Copper Project

This project is centred on a 300m+ zone of intermittently outcropping shear-hosted/skarn copper mineralisation, enveloped within a strong, 50m to 200m wide, open-ended surface geochemical

anomaly. KSM has undertaken geological mapping and geochemical sampling that indicates potential for high-grade copper zones, and for along-strike continuity under extensive on-lapping colluvium. The Company is now ready to embark on a program of geophysics, trenching and drilling to investigate the system's strike continuity, and to determine its sub-surface geometry and grade parameters. This exploration activity is also aimed at identifying any potential repetitions of the mineralisation both along strike and up and down stratigraphy. The greater part of the 33.6km² Exploration Licence hosting the Wuritu target has yet to be systematically explored. In light of such, it is SRK's opinion that Wuritu represents a greenfields copper exploration play.

Amoyitele Iron/copper and Nickel Project

This is the least mature project in the Company's portfolio. It is based on a number of granitoid-hosted, irregularly malachite-bearing quartz-magnetite lodes within a large Exploration Licence (87 sq km). Immediately south of the southern boundary of the licence, similar lodes exposed in the walls of a historic iron-ore open-pit are trending northward into KSM's tenement. However, the economic viability of the historic workings is equivocal. Near the northern boundary of the tenement, a large nickel-in-soil anomaly has been delimited by government geochemical survey. There is no information available on the magnitude of the anomaly, or of any indication of previous follow-up work. The geology and nature of the malachite-bearing quartz-magnetite mineralisation within this lease requires verification prior to advanced exploration procedures such as drilling. KSM plans to undertake detailed reconnaissance mapping and geochemical sampling, in order to understand the geological and structural setting of the area, and to generate follow-up targets. At the current state of geological understanding, SRK considers the Amoyitele Project a high risk greenfields exploration play.

Sonid North and Sonid South Gold Projects

These are regional gold exploration Projects, covering 24.8 sq km and 121.9 sq km respectively, west and

southwest of Marmot Ridge. They are based on a mesothermal/ orogenic gold model derived from observations of recently discovered gold prospects elsewhere in the Sonid Zuoqi district. Prospecting by KSM through approximately 60% of the combined area to date has identified a number of vein or lode style occurrences for systematic exploration follow-up. In the initial sense, the company plans to complete its reconnaissance prospecting and undertake initial surface mapping and sampling. SRK considers the Sonid North and South Projects as early-stage greenfields exploration plays.

In SRK's view, there is a balance of variously-staged Projects in the KSM port-folio, that when

considered together, form an appropriate mix of greenfields and more advanced exploration Projects. A budget of \$2.2 million has been allocated to appropriate exploration programs in Year one, and \$3.21 million in Year two. It is SRK's view that the work program and budget have sufficient technical merit, given the current information available to the Company. It is SRK's opinion that the business objectives of KSM are closely aligned to the work program outlined by the company, and its proposed exploration budget, and that the management team as presented to SRK has the appropriate balance of technical and corporate skills to successfully implement the exploration programs proposed.

2 Geology

2.1 Geological Setting of Nei Mongol (Inner Mongolia)

The geology of Nei Mongol is comprised of two distinct tectonic terrains. The southern half is dominated by the northern margin of the Archaean to Proterozoic North China Craton, a tectonic regime recognised to contain significant gold deposits in the order of 800t contained gold (Zhou *et al*, 2002). The northern half of Nei Mongol is part of the Mongolian – Great Hinggan Fold Belt, part of an extensive orogenic belt running from Uzbekistan in the west to eastern Siberia in the east. This belt is geologically complex and contains a number of significant mineral deposits, including the world class Bayan Obo (REE) and Oyu Tolgoi (Cu-Au) deposits (Figure 2.1).

The geology of the Nei Mongol region is moderately understood, with relatively little research and detailed work compared to other prospective Palaeozoic orogenic terrains in the world. In summary, the tectonic development of the Nei Mongol region as, defined by Zhou, 2002 (and reference there-in), is:

3500–2500Ma

Formation of the proto North China Craton (NCC) through a series of orogenic events.

1000–600Ma

Formation and subsequent rifting of the Rodinia Supercontinent forming the major cratonic units of central China.

600–400Ma

Subduction of the Mongolian plate under the northern margin of the NCC with associated terrain accretion.

400–200Ma

During the late Palaeozoic Variscan and into the early Mesozoic, the Palaeo-Tethys sea closed progressively from the Tian Shan in the west to the eastern margin of the NCC, resulting in the collision of the NCC with the Angara (or Siberian) Craton. This orogen resulted in numerous obducted and geosynclinal systems which now form the Tianshan–Beishan–Yinshan (Mongolian – Great Hinggan) Fold Belt.

200Ma–Present

Dominated by the deposition of Tertiary and Quaternary cover over the region. Some regional-scale faulting occurred, and is believed to be linked to the collision of the Indian plate with the Eurasia plate, and the subsequent uplift of the Tibetan plateau (see Yue and Liou, 1999).

The Sonid district is contained within the Central Nei Mongol Geosynclinal Fold System, which although tectonically late Variscan in age, contains Proterozoic to Mesozoic volcanics, intrusives and sediments (Figure 2.2). This regional geological setting is consistent with orogenic or subduction related mineral deposits, including Cu porphyry systems which are KSM's principal focus.

Figure 2.1:
Tectonic map
of China and
Mongolia showing
the cratonic areas
and associated
orogenic zones.

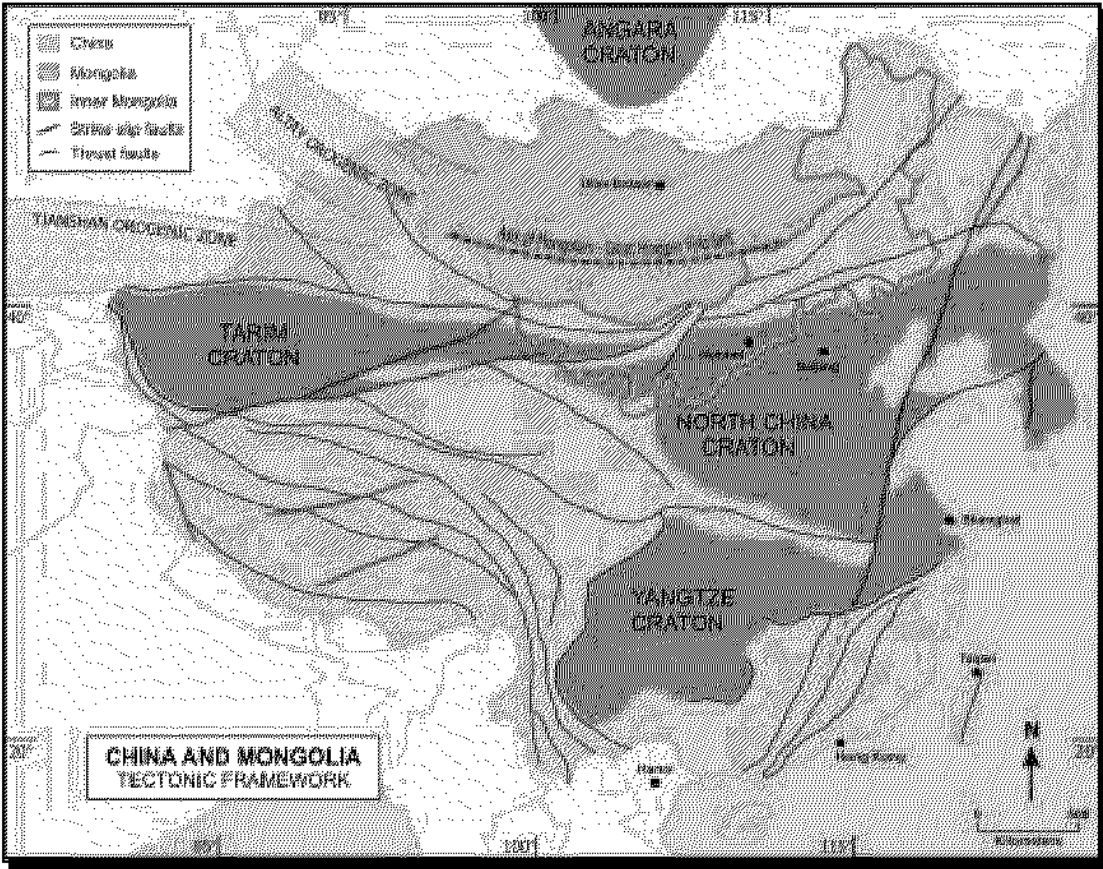
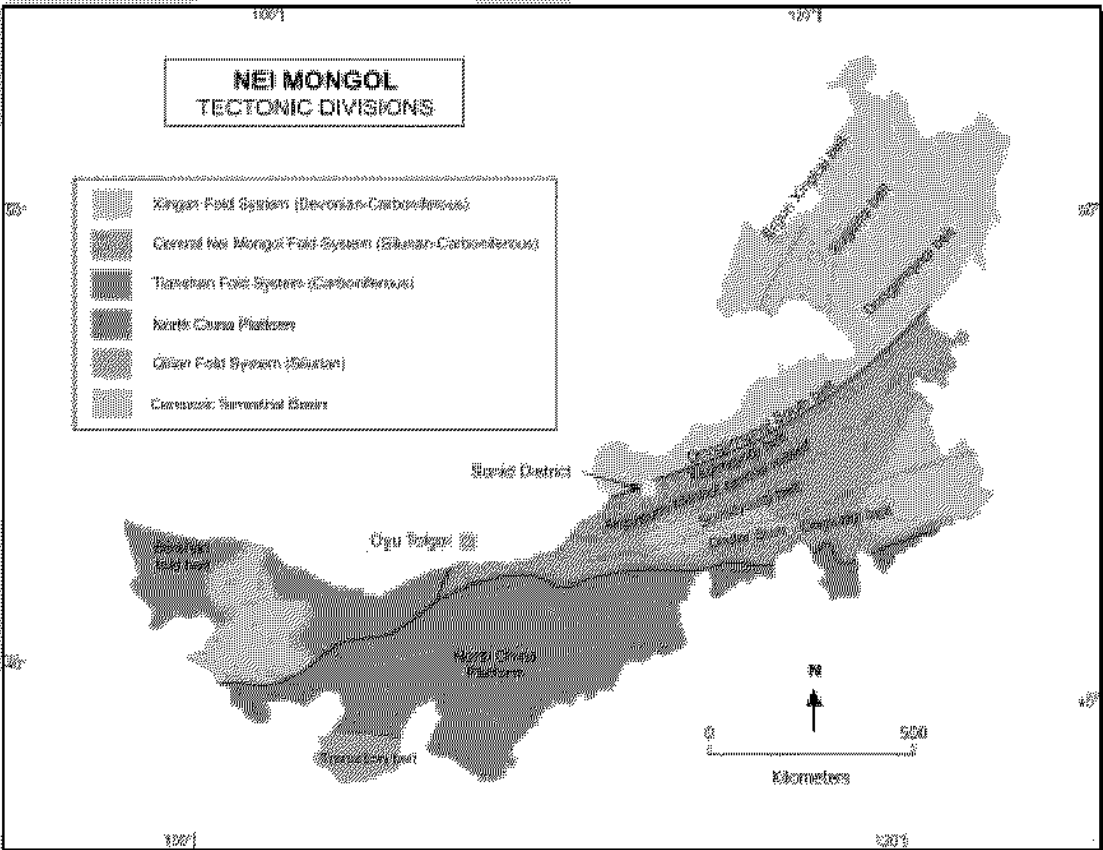


Figure 2.2:
Outline map
of Nei Mongol
showing the
different terrains
of the Central
Nei Mongol
Geosynclinal
Fold System.



Figures prepared by KSM on behalf of SRK for inclusion in this prospectus

The geology of the Sonid district is dominated by a central east-west trending Mesozoic granite. To the north the rock sequence is dominated by Proterozoic metasediments and metavolcanics which have been variably intruded by a series of Palaeozoic granitoids and subsequently overlain by

later Palaeozoic volcanics and sediments. The same sequence is observed south of the Mesozoic granite but with fewer intruded granitoids. The region is variably overlain by Tertiary and Quaternary sediments and alluvium (Figure 2.3).

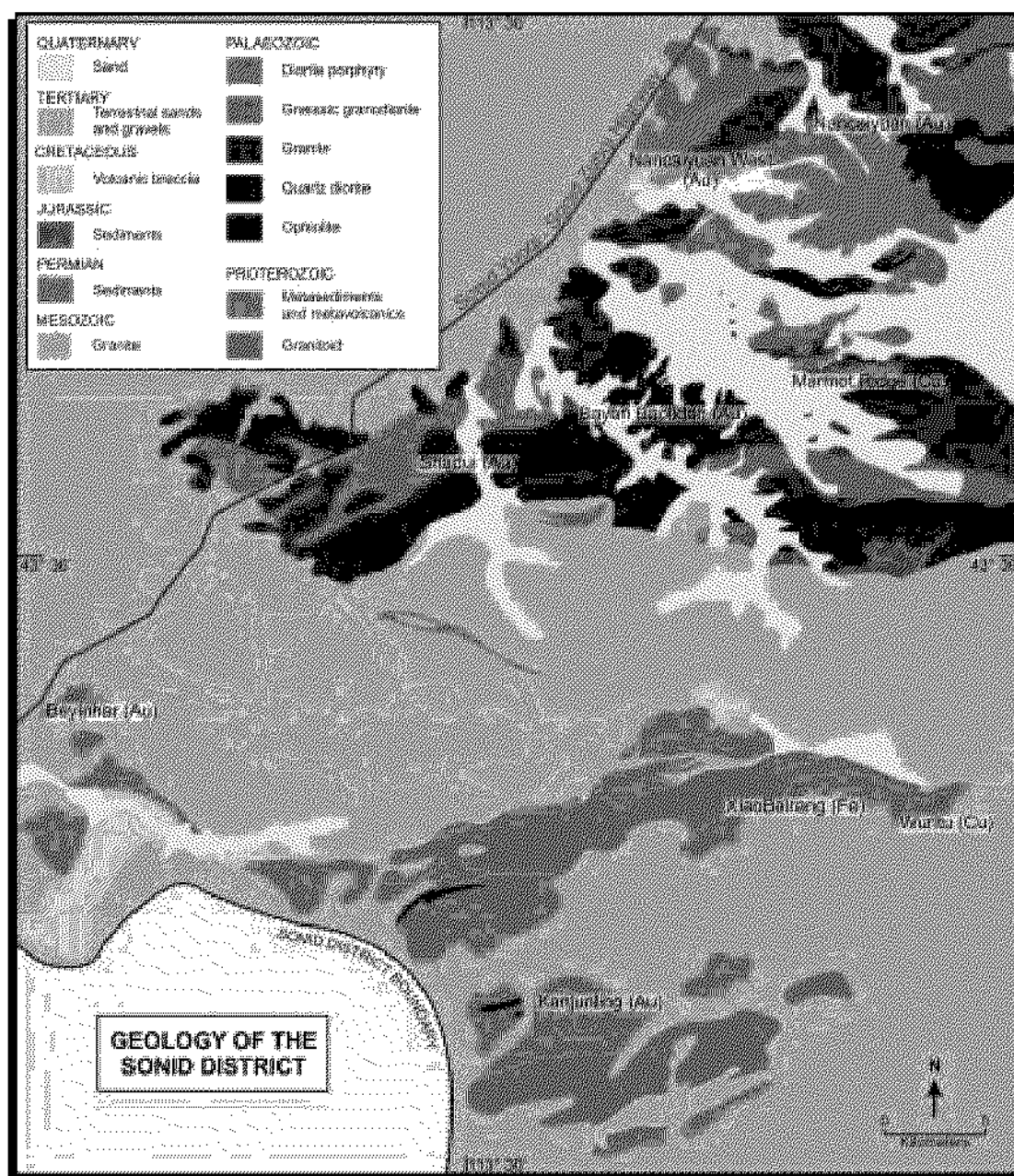


Figure 2.3: Geology of the Sonid district

Figure prepared by KSM on behalf of SRK for inclusion in this prospectus

2.2 Genetic Models used for Exploration

2.2.1 The Generalised Porphyry Model

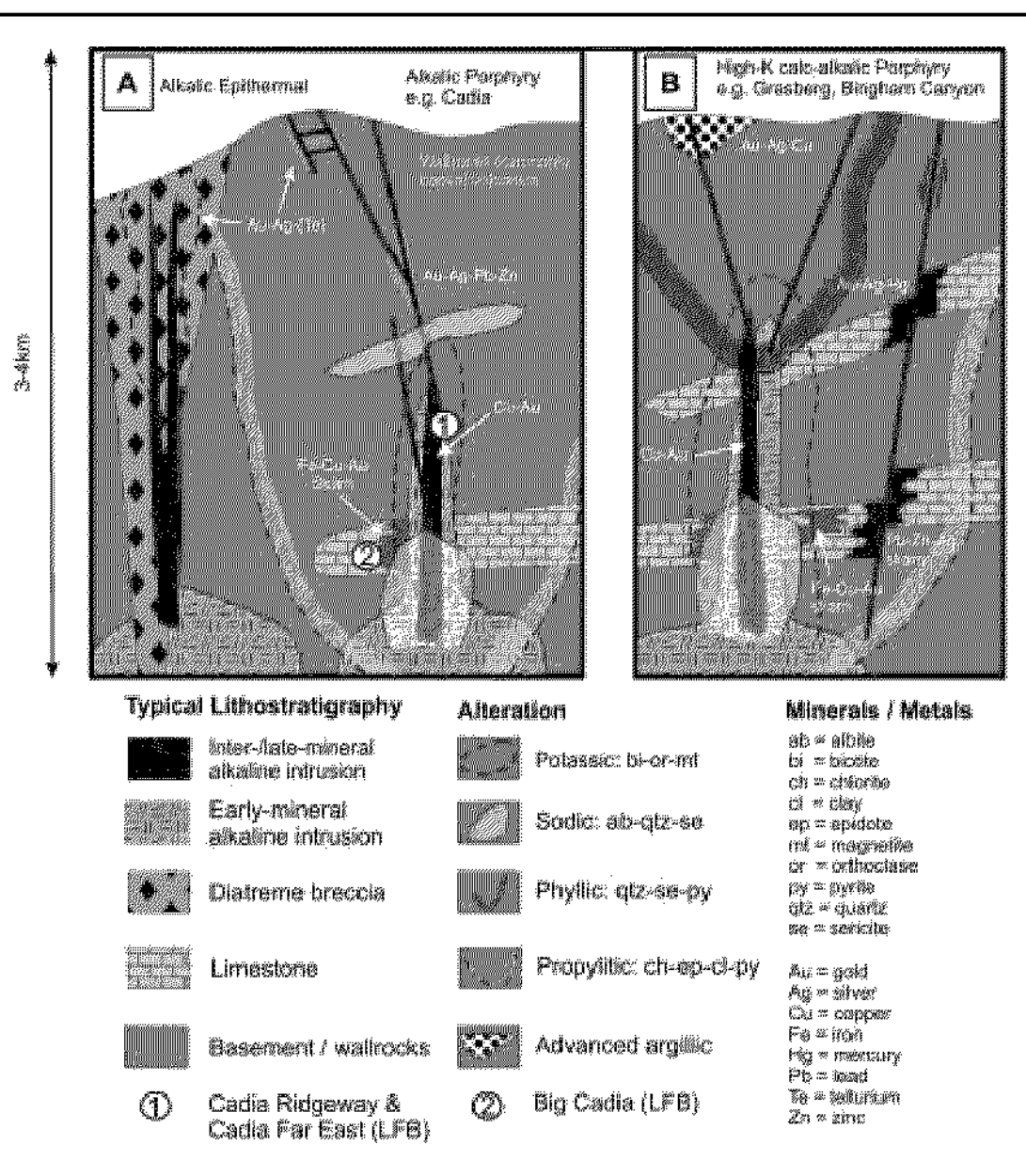
Porphyry deposits are products related to subduction-accretion processes located on plate boundaries where tectonic environments range from intra-oceanic to continental arcs (Sillitoe 1997). The majority of the best studied and mineable porphyry Cu-Au-Mo deposits are Cainozoic (0 to 65Ma) to Mesozoic (65 to 245Ma) in age, and are associated with tectonism related to the development of the "Pacific Ring of Fire". However, other systems removed from the Pacific Ring of Fire are noted globally (eg. Oyu Tolgoi in Mongolia).

Subduction of oceanic slabs at a plate boundary generates hot, hydrous, relatively oxidised, sulphur-rich mafic magmas in the metasomatised mantle wedge. The density contrast enables magmas to buoyantly rise to the base of the overlying crust where they accumulate. Crystallisation releases heat causing partial melting of crustal rocks. Mixing of crustal and mantle-derived magmas yields evolved volatile-rich, (metal-bearing) hybrid magmas, which are of sufficiently low density to rise through the crust. Magma ascent is controlled by buoyancy forces and permeability within the crust, and major trans-lithospheric, arc parallel and cross-arc structures create vertical conduits up which magmas will ascend. One school of thinking is that porphyry

Figure 2.4:
Schematic model of
alkalic (A), and
high-K calc-alkalic
(B) porphyry
Au-Cu deposits

A.
The alkalic deposits
are associated with
potassic and propylitic
alteration assemblages, with
fault-controlled
phyllitic alteration.
Deep and shallow
sodic assemblages
may be present.

B.
The High-K calc-
alkaline systems
have a more wide-
spread phyllic altera-
tion, and may also
have high-level
advanced argillic
alteration zones, in
addition to well-
developed potassic
and propylitic
assemblages.
Modified from
Wilson *et al.* (2002).



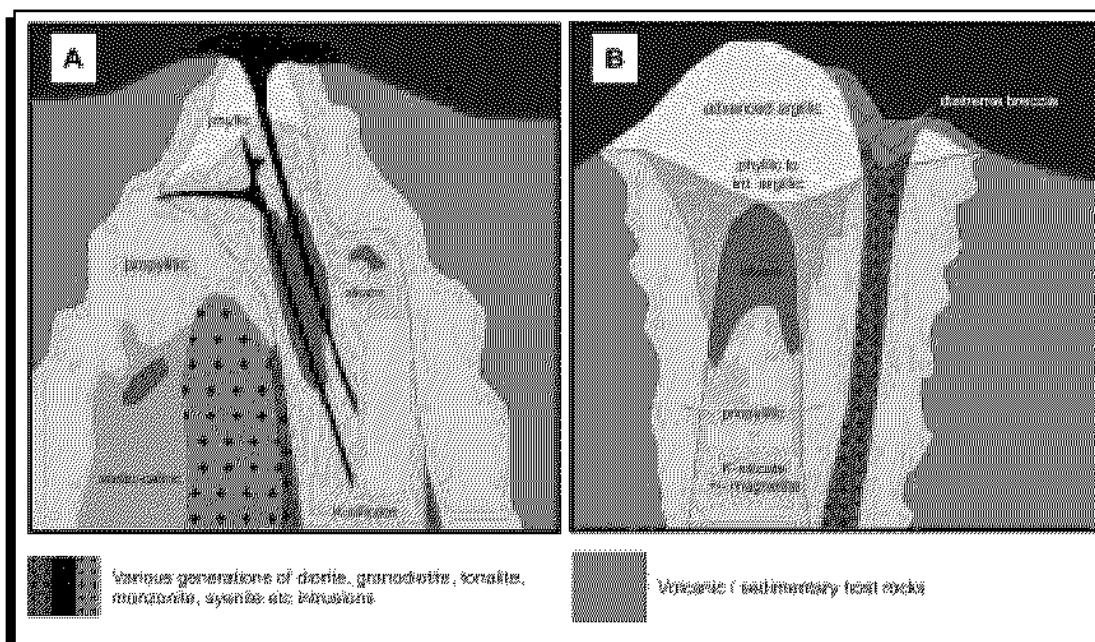


Figure 2.5:
Generalised spatial
relationship of
alteration assem-
blages associated
with porphyry
deposits

A. Alkaline and;
B. High-K calc-
alkaline.
Modified from
Wilson *et al*,
(2002).

related intrusions are syn-tectonic and typically form late in a given magmatic cycle, e.g. major porphyry deposits of the Andes (Richards 2003) and the Lachlan Fold Belt (Glen *et al* 2003).

Magmatic fractionation, recharge and volatile exsolution leads to the development of ore-forming magmatic-hydrothermal systems, where incompatible elements are strongly partitioned into a volatile aqueous phase during crystallisation. Hydrostatic pressure exceeds the combined lithostatic load and tensile strength of the surrounding rock mass, which results in brittle failure and the generation of stockwork (to sheeted), disseminated and breccia-hosted Cu-Au-(Mo) mineralisation (Figure 2.4). Characteristic alteration zonation out from the causative intrusion is common; intense potassic alteration around the intrusion grades to pervasive propylitic assemblages (chlorite, epidote and clay with pyrite). Near surface areas may experience phyllic to advanced argillic alteration (Figure 2.5). Supergene blankets may be preserved depending on the level of erosion.

2.2.2 Mesothermal/Orogenic Gold Deposits

Mesothermal gold deposits (re-classified as 'orogenic' gold deposits by Groves *et al*, 1998) are associated with regionally metamorphosed terranes of all ages (Archaean to Present). Ores were formed during compressional to transpressional deformation processes in accretionary and collisional orogens. Subduction-related thermal events initiate and drive long-distance hydrothermal fluid migration, with the

resulting gold-bearing quartz veins being emplaced from depths of 15-20km to the near surface environment (Figure 2.6A). Pervasive wall-rock alteration and mineralisation often accompanies gold-bearing veins.

There is strong structural control of mineralisation at a variety of scales for these deposits. They are generally sited in second or third order structures, most commonly near large-scale structures. Although the controlling structures are commonly ductile to brittle in nature, they are highly variable in type. In the Sonid area, the structures are of a brittle nature. Mineralised structures have small syn- and post-mineralisation displacements, but the gold deposits commonly have extensive down-plunge continuity (hundreds of metres to kilometres). Extreme pressure fluctuations leading to cyclic fault-valve behaviour (Sibson *et al*, 1988) result in flat-lying extensional veins and mutually cross-cutting steep fault veins that characterize many deposits.

Complexity due to over-printing of mineralisation styles is possible (ie mesothermal overprinted by epithermal and porphyry). However, the gold-bearing epithermal vein and porphyry systems are typically located in different crustal regimes in the orogen (ie upper 2-5km of the crust; Figure 2.6B), and form in extensional environments in response to the emplacement of predominantly I-type granitic intrusive rock (e.g. during post-orogenic collapse/extension; Figure 2.6B). Such variation and potentially voluminous mineralisation in this setting is obviously an advantage with respect to exploration in the region.

Figure 2.6:

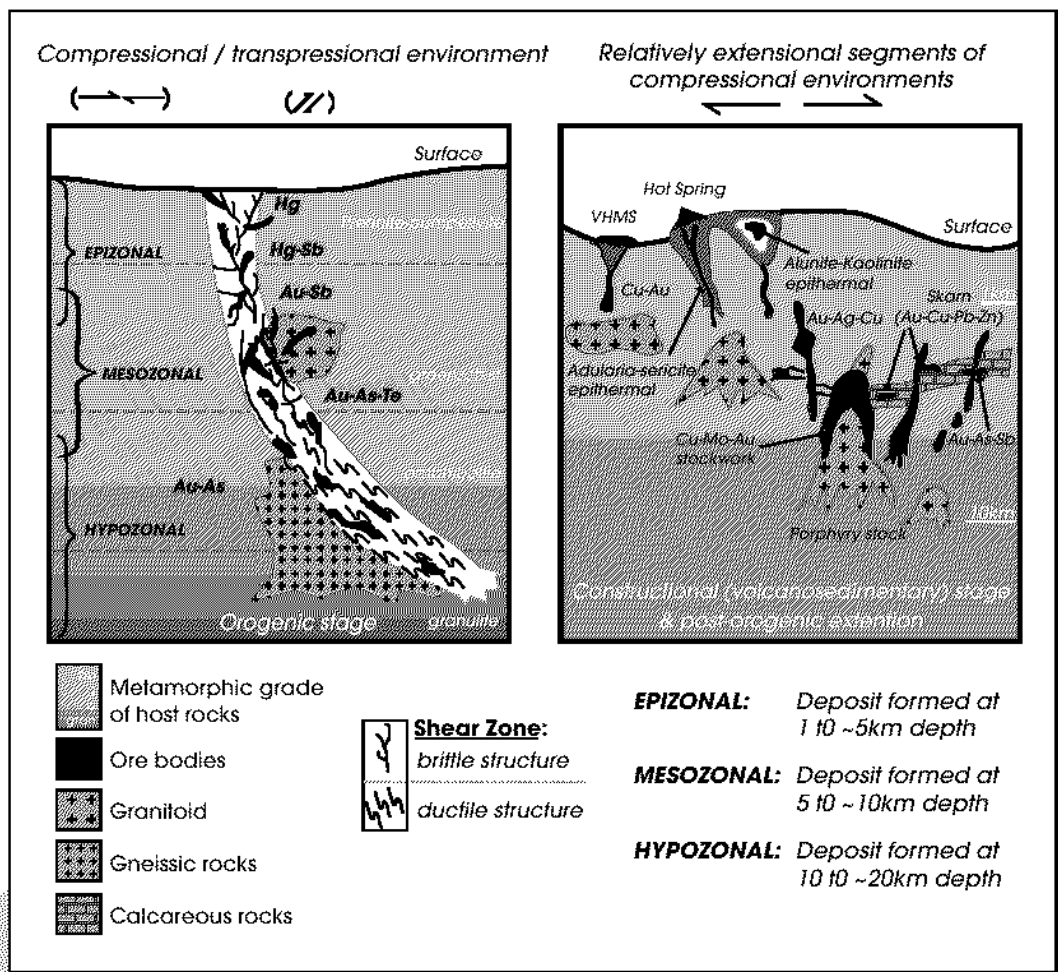
Schematic diagrams showing the genetic models for formation of orogenic lode gold and associated ore bodies

A.

Schematic representation of crustal environments of mesothermal gold deposits in terms of depth of formation and structural setting.

B.

Conceptual genetic model for the formation of gold deposits in an extensional structural regime adapted from Groves *et al.* (1998).



2.2.3 Skarn Deposits

Skarns can form during regional or contact metamorphism and from a variety of metasomatic processes involving fluids of magmatic, metamorphic, meteoric, and/or marine origin (Meinert 1992 Meinert *et al.* 2005). They are found adjacent to plutons, along faults and major shear zones, in shallow geothermal systems, on the bottom of the seafloor, and at lower crustal depths in deeply buried metamorphic terranes. The feature that links these diverse environments, and that defines a rock as skarn, is the mineralogy. This mineralogy includes a wide variety of calc-silicate and associated minerals but is usually dominated by garnet and pyroxene.

Skarns can be subdivided according to several criteria. Exoskarn and endoskarn are common terms

used to indicate a sedimentary or igneous protolith, respectively. Magnesian and calcic skarn can be used to describe the dominant composition of the protolith and resulting skarn minerals. Such terms can be combined, as in the case of a magnesian exoskarn which contains forsterite-diopside skarn formed from dolostone.

Most economically important skarn deposits result from large scale metasomatic transfer, where fluid composition controls the resulting skarn and ore mineralogy (Meinert *et al.* 2005). Gold skarn refers to ore deposits that are mined solely or predominantly for gold and which exhibit calc-silicate alteration, usually dominated by garnet and pyroxene, which is related to mineralisation.

3 Projects

KSM has obtained five Exploration Licences (Marmot, Wurutu, Sonid North and Sonid South (x2)) totalling 220.10 sq km in the Sonid Zuqi district of north-central Inner Mongolia, 500 km north-northwest of Beijing. The company has also acquired an 87km² Exploration Licence at Amoyitele, approximately 135km north-northeast of Erenhot, and 18km south of the China-Mongolia border. The location of the tenements is shown in Figure 3.1.

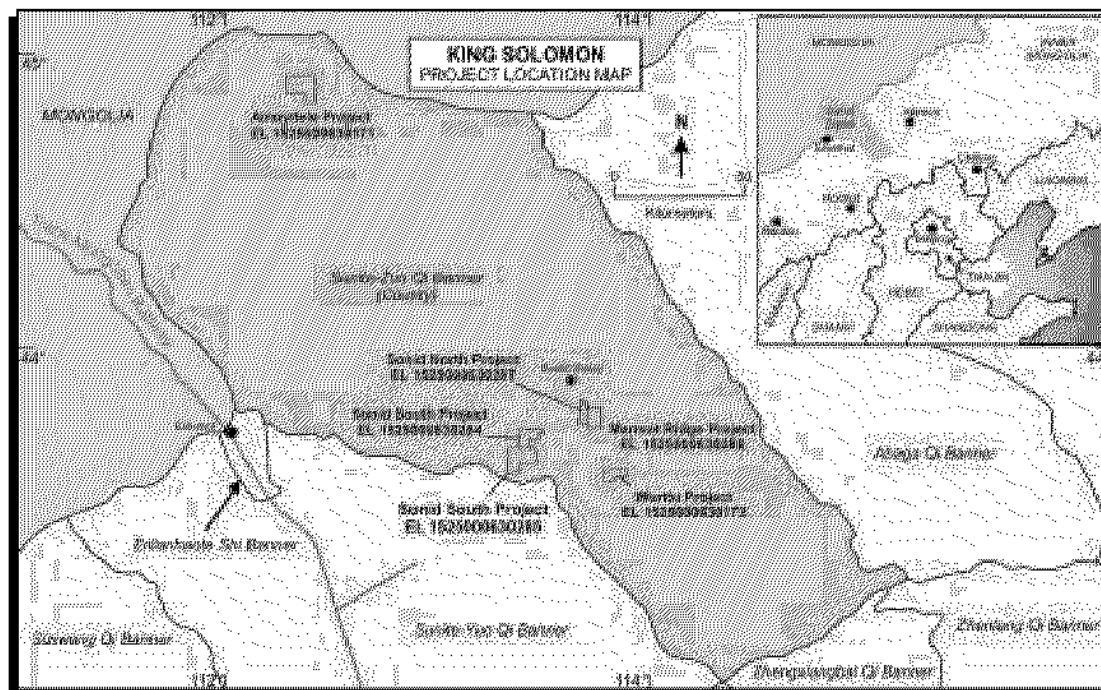


Figure 3.1: Map showing the location of the KSM licences and permits.

Figure prepared by KSM on behalf of SRK for inclusion in this prospectus

All of these tenements lie within the Mongolian-Great Hinggan Fold Belt, a highly prospective accretionary terrane which includes major suture zones trending eastward from the highly productive Tien Shan Orogenic Belt of Central Asia (Section 2.1). The Projects are located on the fringes of the Gobi desert where exploration has historically been limited by the lack of surface water. KSM is exploring for copper deposits of both porphyry and skarn affinity, and for orogenic lode gold mineralisation.

3.1 Licence Status and Permits

KSM's Marmot, Sonid North and Sonid South (x2) Exploration Licences are held in the name of Ao Meng Xin Economic Trade Ltd ("AMX") on behalf of Inner Mongolia Plate Mining Ltd, a company jointly

owned by KSM (90%) and AMX (10%). AMX is owned by KSM shareholder and director Mr La Fu and the 10% share of AMX is held in trust for KSM. The Wurutu and Amoyitele Exploration Licences are in the name of Tai Yuan City Kai Li Jie Electron Ltd but are subject to a Licence Transfer agreement that will see them transferred to Inner Mongolia Plate Mining Ltd after June 2007. Details relating to KSM's exploration licences are presented in Table 3.1.

SRK has reviewed the Licence documents from a technical perspective only, and has viewed the relevant Licence Certificates. However, SRK has not undertaken any legal due diligence to confirm whether or not any statutory obligations and consents are in force and current.

Table 3.1:
Summary of
exploration
licences

Exploration Licence Name & Number	Area (km ²)	Grant Date	Renewal Date	Annual Fee (RMB)	Expenditure Commitment (RMB)	Total Statutory Commitment (AUD)
Marmot						
1525000630286	39.73	10 Nov 04	10 Oct 07	3,973	397,300	65,782
Wuritu						
1525000630172	33.64	16 Jun 05	16 May 07	3,364	168,200	28,125
Amoyitele						
1525000630171	87.00	9 Aug 05	9 Jul 07	8,700	435,000	72,738
Sonid North						
1525000630287	24.82	10 Nov 04	10 Oct 07	2,482	248,200	41,095
Sonid South 1						
1525000630284	47.24	3 Nov 04	3 Oct 07	4,724	472,400	78,217
Sonid South 2						
1525000630285	74.67	3 Nov 04	3 Oct 07	7,467	746,700	123,634
Totals	307.10	-	-	30,710	2,467,800	409,591

3.2 Marmot Ridge Project

3.2.1 Geology

The Marmot Ridge project area consists of folded Proterozoic metasedimentary and metavolcanic rocks unconformably overlain by a Silurian to Devonian sequence of shallow marine sedimentary and intercalated volcanic lithologies. The volcanic rocks are in turn unconformably overlain by Permian-Jurassic transitional sedimentary rocks and Tertiary terrestrial basin sediments (Figure 3.2). The Proterozoic and Palaeozoic rocks are intruded by volumetrically substantial Upper Palaeozoic intermediate to acid stocks and associated dykes. The whole complex is intensely faulted and fractured. There is a strong shear component to the faulting, and it appears that low-angle north-dipping thrust planes are playing a major part in the complex structural/geochemical relationships observed at outcrop level, and also in landscape control. The hills are dissected by aeolian sand-filled valley and gully networks that strongly reflect the underlying structure via a predominance of northeast-southwest, northwest-southeast and east-west trends.

The Marmot Ridge prospect area is hosted in the fault-bound and strongly internally faulted Marmot Structural Corridor (MSC) of inter-layered Upper Palaeozoic volcanic flows, tuffs and breccias. The volcanic sequence is predominantly basic to intermediate in composition and dips moderately to the north. It is intruded by quartz diorite porphyry dykes and plugs and late rhyolite and dacite dykes and plugs. Local rhyolite flows outcrop in the

western part of the prospect. The corridor averages approximately 1.5 km in width and trends northwest-southeast (Figure 3.2). It is constrained between fresh high-K granite to the north and granodiorite to the south. Its north-westward extent is as yet unknown, but to the southeast it is bound by fresh granite. An elliptical alteration system, 3 km by 1.5 km, aligned slightly obliquely to that of the hosting volcanic corridor forms a moderately elevated terrain and is the focus of the exploration programme (Figure 3.2).

The area appears structurally complex, with fault deformation and foliation observable in the field and in drilling. Rhyolite and dacite dyke populations parallel the principal fault directions which follow the MSC and strike approximately east-west. Additional complexity is introduced through a strong conjugate northwest versus northeast trending fault set and close north-northwest to north-northeast fracturing which have been identified from satellite imagery.

The alteration zonation at Marmot Ridge is complex. A pervasive propylitic alteration system locally grades to phyllic and potassic assemblages. Quartz-magnetite-hematite lenses and quartz stockwork veins have been mapped within the alteration zones. Malachite staining is observed in a number of weathered profiles and locally, minor gossans have formed.

The geology of the Marmot Ridge project is consistent with prospective terrains for porphyry type mineralisation and there is strong evidence of widespread hydrothermal activity.

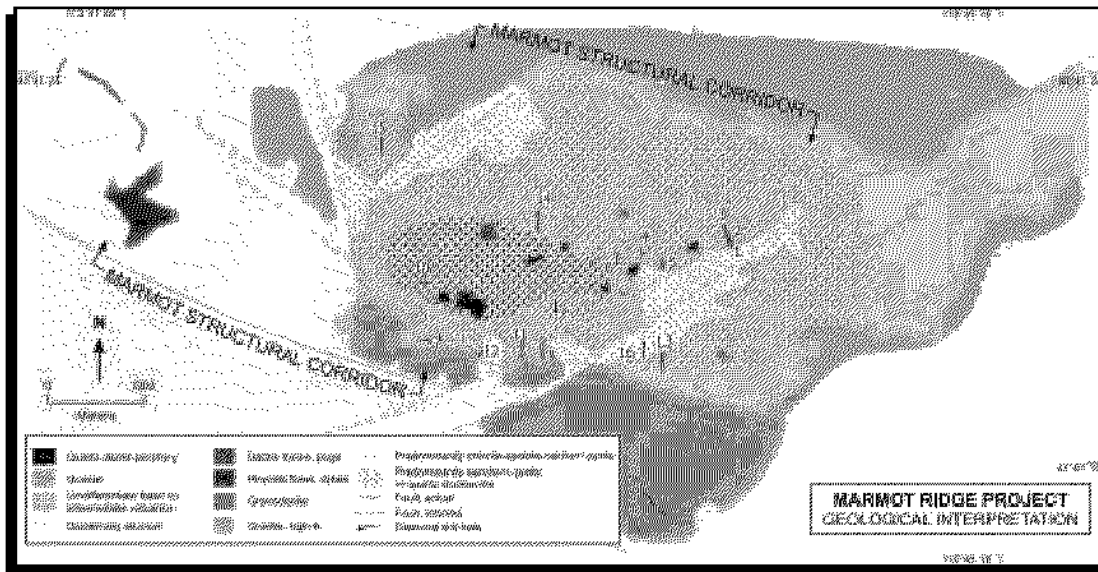


Figure 3.2: Plan of the Marmot Ridge project showing geology, alteration, interpreted structures and drillhole locations.

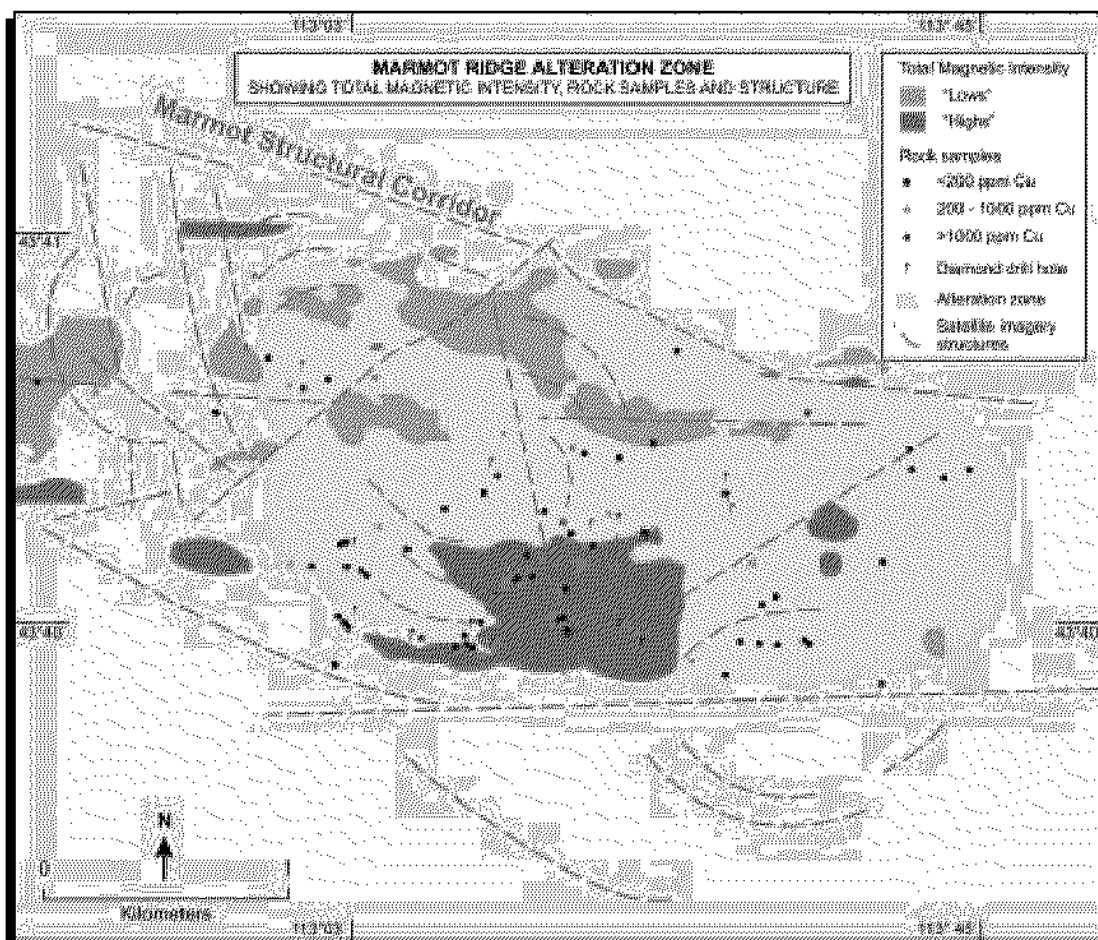


Figure 3.3: Plan of the Marmot Ridge project showing alteration, interpreted structures and rock sample locations.

Figures prepared by KSM on behalf of SRK for inclusion in this prospectus

3.2.2 Previous exploration

Very little exploration work prior to the involvement of KSM was conducted on the Marmot Ridge Project area. Historically, all exploration work was undertaken by the Chinese government and its associated Bureaus. In Nei Mongol, this was initially done by the Nei Mongol Geological Survey which published 1:200,000 scale geological maps of the province. More specifically related to mineral exploration, the Non-ferrous Metals Bureau of the People's Republic of China (a commercial sub-division of the Geological Survey) undertakes larger scale mapping and sampling campaigns, the maps of which can be used to determine district- rather than prospect-scale targets.

KSM Exploration

Other than regional geological mapping, no exploration had been undertaken on the Marmot Ridge Project prior to KSM's involvement. Initial exploration undertaken by KSM comprised:

- 96 rock chip samples which assayed up to 2.04% Cu.
- 89 float samples which assayed up to 1.68% Cu.
- 29 lag samples with anomalous values up to 0.068% Cu.
- 3 trenches totalling 227m. Best results included 15.7m @ 0.27% Cu (trench 1), 5.7m @ 0.53% Cu (trench 2) and 8.1m @ 0.11% Cu (trench 3).
- A local ground magnetic survey covering 6.3km² with a line spacing of 100m and sample spacing of 20m. The survey outlines a significant magnetic high to the south east of the alteration centre.
- Interpretation of ASTER satellite imagery.
- Local lithological and alteration mapping.

During the 2006 field season, KSM completed a 2,241m diamond drilling programme on the Marmot Ridge project, testing a number of geochemical and magnetic anomalies. The programme returned mixed results with zones of weak Cu anomalism being identified. However, detailed petrographic work revealed that a number of drillholes inter-

sected a metasomatic halo associated with the southern granodiorite, which may have resulted in re-mobilisation of potentially Cu-bearing sulphides.

3.2.3 Project potential

The Marmot Ridge Project is the most advanced of KSM's Cu exploration assets, and is considered prospective for further Cu mineralisation. The ground is located within a favourable tectonic framework and contains lithologies typically associated with Cu porphyry style mineralisation. The presence of intense and pervasive propylitic alteration at surface and in drillholes is encouraging. This is bolstered by the presence of highly anomalous rock chip, trench and float samples.

3.2.4 Proposed exploration programme and budget

In order to evaluate the ground, further exploration at Marmot Ridge will involve local geophysical surveys and interpretation, detailed mapping, geochemical sampling and drill testing.

It is the opinion of SRK that the Marmot Ridge prospect represents an early stage greenfields project which displays geological and geochemical characteristics typical of porphyry Cu systems.

In light of this, SRK considers the proposed exploration programme of additional magnetic and induced polarization (IP) surveys, geological mapping, and geochemical sampling through further trenching and drilling to be appropriate. Although air core or reverse circulation drilling would provide a cheaper sampling medium than diamond drilling, the structural complexity of the Project area needs to be resolved. Information gathered from the diamond core will be crucial in determining the subsurface structural architecture, and therefore justifiably offsets the cost of using such equipment. Therefore, the budget proposed to complete this work is adequate, given the proposed program and the stage of exploration. Table 3.2 presents the proposed budget and exploration program for Years 1 and 2 at Marmot Ridge.

Table 3.2:
Marmot Ridge
proposed exploration
budget

Activity	Year 1 (AUD)	Year 2 (AUD)
Extension to existing magnetic survey and an IP survey and processing	80,000	-
Geological mapping, petrographic and mineragraphic studies	100,000	70,000
Lag, soil & rock sampling and assaying	30,000	40,000
Trenching	20,000	40,000
Diamond drilling and assaying	895,000	1,320,000
Logistics, tenement maintenance, departmental and public relations, camp support, initial environmental and engineering studies	80,000	140,000
Total	1,205,000	1,610,000

3.3 Wuritu Project

KSM purchased the exploration licence at Wuritu in August 2006, following an initial reconnaissance programme which identified anomalous copper mineralisation at surface. The Wuritu Prospect lies 21km south-southeast of Marmot Ridge and is accessed by sealed road and dirt track from Sonid.

3.3.1 Geology

The Wuritu Project area is located within the same Sonid Zuqi hill block as Marmot Ridge, and comprises folded Proterozoic metasediment and metavolcanic basement overlain unconformably by Upper Palaeozoic sedimentary and volcanic sequences. These in turn are overlain unconformably by Mesozoic sedimentary rocks. The entire sequence is intruded by intermediate to acid dykes and stocks. The licence area is predominantly underlain by Proterozoic schists and Permo-Triassic granites which are locally overlain by Quaternary and Recent alluvium. A northeast-southwest trending, northwest-dipping thrust zone is inferred to be located at the contact between the schists and granite (Figure 3.4).

The most developed prospect at Wuritu is Malachite Ridge. This is located within a block of Proterozoic chlorite schist, metasiltstone, quartz-mica schist and limestone which is intruded by, and in thrust contact with, a Palaeozoic biotite granite which is exposed to the north and south of the metasedimentary block. Exposure of the schists is limited due to colluvium and sand cover. Limited structural information indicates a moderate to steep northerly dip. Localised outcrops of variably silicified limestone occur on the southern side of the prospect area and along strike to the east and

west. Small outcrops of limestone also occur within the chlorite schist in the northwest of the area.

A number of mineralised quartz-magnetite-hematite lenses are located in the central prospect area. The principal lens is located in the hanging-wall of a large east-northeast trending, moderately steep north-dipping shear zone close to the contact of the chlorite schist and overlying quartz-mica schist. This zone is up to 20m wide and pinches and swells over 400m of strike length. Smaller subsidiary shears are located in the footwall of the main shear and their presence is evidenced by hematite stained schist, quartz-magnetite-hematite rock and vein quartz in material excavated from the trenches.

The copper-gold mineralisation at Malachite Ridge is largely located in the shear controlled quartz-magnetite-hematite lenses. The shears are interpreted as hanging wall splays related to the larger north dipping low-angle regional thrust at the contact of the schists and the granite. The presence of silicified and quartz-veined limestone also indicates potential for the development of skarn-style mineralisation in the area.

3.3.2 Previous exploration

Previous work at Malachite Ridge includes trenching and a small amount of drilling, the results of which are not documented. A more recent electromagnetic (EM) survey was undertaken by the vendors of the property to KSM and comprised a number of traverses at irregular intervals that appear to only partially traverse the mineralised zone and the limited nature of this work does not allow for any coherent interpretation. There have been no indications found as yet, of previous work elsewhere in the project area.

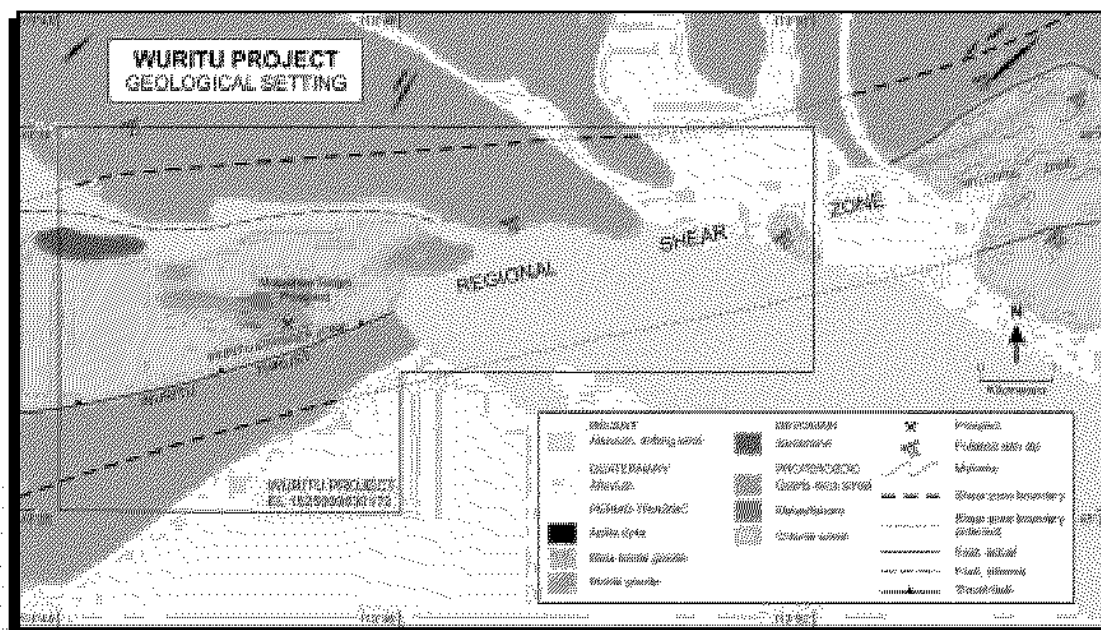


Figure 3.4:
Geological map
of the Wuritu
project.

Figure prepared by KSM on behalf of SRK for inclusion in this prospectus

Initial reconnaissance work by KSM at Wuritu has comprised:

- Exploration to date indicates that the quartz-magnetite-haematite lenses host copper mineralisation surrounded by a lower grade anomalous halo.

Given the preliminary nature of the Wurutu Project, the initial findings appear positive. The close association between anomalous Cu results, massive quartz-magnetite lenses and interpreted regional structure suggests a syn- to post-intrusion, structurally controlled hydrothermal system. The presence of silicified limestone indicates the possibility for skarn-type Cu mineralisation.

3.3.4 Proposed exploration programme and budget

The project is at an early stage of exploration. The exploration programme and budget of \$440,000 and \$600,000 (Years one and two respectively) proposed by KSM is sufficient at the current stage of exploration, as based on encouraging rock and soil sampling results. The multi-disciplined approach of geophysical, geological and geochemical analysis will enhance the geological understanding of the Malachite Ridge prospect, whilst providing opportunities for further target generation on the tenement. Table 3.3 presents the proposed budget and exploration program for Years one and two at Wuritu.

Activity

Activity	Year 1 (AUD)	Year 2 (AUD)
Local magnetic and EM survey of Malachite Ridge	30,000	–
Project scale geological reconnaissance mapping and detailed prospect mapping	85,000	40,000
Extension to lag, soil and rock sampling	45,000	25,000
Trenching	25,000	25,000
RC and diamond drilling	240,000	495,000
Tenement maintenance, research and field support, logistics	15,000	15,000
Total	440,000	600,000

MALACHITE RIDGE PROSPECT
ROCK AND SOIL GEOCHEMISTRY

ROCK TYPES

- Basalt
- Gabbro
- Diabase
- Granite
- Diorite
- Gneiss
- Schist
- Metaschist

GEOCHEMICAL DATA

- Basalt
- Gabbro
- Diabase
- Granite
- Diorite
- Gneiss
- Schist
- Metaschist

Scale: 0 to 200 meters

North Arrow

Figure prepared by KSM on behalf of SRK for inclusion in this prospectus

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3.4.3 Project potential

Although still only at the very early stages of exploration, the Amoyitele tenement appears to contain rocks similar to the prospective Sonid Zuoqi district and the focus of exploration will be mineralisation related to porphyritic intrusions. The quartz-magnetite association is similar to the more advanced Wuritu project and warrants further investigation.

3.4.4 Proposed exploration programme and budget

Proposed work includes reconnaissance mapping and sampling of the licence with follow-up work on identified targets likely to include detailed mapping, surface sampling (soil and/or rock chip and trenching), and magnetic surveys. The objective of this work will be delimitation of the lateral extent of the mineralized zones, and identification of drill targets. Table 3.4 presents the proposed budget and exploration program for Years one and two at Amoyitele.

Table 3.4:
Amoyitele project
proposed budget

Activity	Year 1 (AUD)	Year 2 (AUD)
Ground magnetic survey over Iron Princess prospect	40,000	20,000
Tenement and prospect scale Satellite image analysis and mapping	70,000	30,000
Outcrop grab samples and soil sampling of structural targets	40,000	25,000
Trenching to optimise sampling	20,000	15,000
Initial follow up drilling	-	220,000
Tenement maintenance and camp support	10,000	10,000
Total	180,000	320,000

3.5 Sonid North and Sonid South Projects

The Sonid mineral district contains gold occurrences in the form of clusters of structurally-controlled mesothermal/orogenic veins at various locations along a 60km+ by 10km northeast trend. The principal explorers in this belt have been two separate divisions of the Gold Corp of the Chinese Peoples Armed Police Force (Shadui and Sonid Zuoqi Projects) and the Inner Mongolia Hua Yu Geological and Minerals Exploration Company (Nancaiyuan, Bayan Baolidao and Kanjunling Projects). Canadian-listed Golden China Resources is currently working on a project (Beyinhar) at the southern end of the belt.

KSM has a strong tenement position along this trend by virtue of three Exploration Licences totalling 146.7km² (Figure 3.7). The Sonid North tenement adjoins the Company's Marmot tenement and in its southern part, covers the westward projection of the structural corridor that hosts the Marmot Ridge copper project. The two Sonid South tenements adjoin one another and are centred approximately 20km further to the southwest (Figure 3.7).

3.5.1 Geology

The geology of the district is dominated by a series of granitoid stocks intruding both Proterozoic metasediments and metavolcanics and Upper Palaeozoic marine sediments and volcanics. The hills are occasionally capped by Permian-Jurassic shallow marine rocks. Tertiary terrestrial basin sediments form valley floors but are frequently masked by aeolian sands that also fill gullies and lie as drifts

across hillside slopes. As described in Section 3.2.4, there has been very substantial tectonic deformation resulting in networks of fractures and faults.

The 24.82km² Sonid North tenement is north-south elongate and lies obliquely across a set of northwest-southeast oriented, low rocky ridges separated by broad, extensive sand-covered depressions. The ridges are fault-bound and consist of varying proportions of Proterozoic schists, limestone and quartzite intruded by quartz diorite stocks.

The Sonid South area consists of two contiguous Exploration Licences. The northern tenement covers a large area of similar lithologies to those at Sonid North. The southern tenement at Sonid South consists of large islands of Mesozoic granite rising from extensive surrounding sand flats. An analysis of the ASTER satellite imagery suggests the presence of major northwest-southeast regional fault structures beneath the sand cover.

3.5.2 Previous exploration

Gold was first discovered in the Sonid district by local prospectors in the late 1980's. Subsequent prospecting by the provincial government, illegal miners and the Chinese Gold Army in the late 1990s identified a number of prospective sites, consisting in the main of mesothermal veins and shears hosted either in Proterozoic metamorphic rocks, Palaeozoic granitoids or volcanics, or volcanogenic sediments. Subsequent mine development has been on a very small scale and has been undertaken illegally by local villagers. An exception has been at Shadui where a division of the Gold Army produced for two years from a several hundred metre long package of

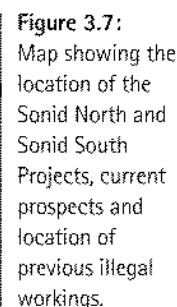


Figure prepared by KSM on behalf of SJRK for inclusion in this prospectus

Ridge tenement, indicates significant structural complexity. The presence of multiple quartz vein systems with anomalous gold geochemistry is encouraging, and is consistent with the mesothermal gold model which forms the basis for KSM's exploration in this area.

3.5.4 Proposed exploration programme and budget

Recognising that the major fault structures and carbonate occurrences are important exploration targets, yet are likely to be sand-covered in these areas, KSM is planning a combination of satellite imagery analysis and geochemical sampling, mapping and drill testing. The Company will also be completing its reconnaissance prospecting of the tenements, and intends follow-up work on previously identified targets.

It is SRK's opinion that the Sonid North and South Projects represent greenfields exploration Projects, as there is only limited geological data available. However, the exploration programme and budget proposed by KSM is appropriate, given the geological setting and a sound knowledge of local conditions and work practices. A budget of \$180,000 in Year one and \$450,000 in Year two is also adequate to cover the minimum annual expenditure of \$172,556. Table 3.5 presents the proposed budget and exploration program for Years one and two at Sonid North and South.

KSM's principal objective in the Sonid North and South areas is the location of shear-hosted gold mineralisation similar to that being investigated by Golden China Ltd at the southern end of the Sonid mineral belt. The work undertaken across these tenements, as well as in the neighbouring Marmot

Table 3.5:
Sonid North and
South proposed
budget

Activity	Year 1 (AUD)	Year 2 (AUD)
Follow up magnetic or EM surveys on new targets	-	40,000
Imagery analysis and geological mapping	80,000	80,000
BLEG and soil sampling	60,000	40,000
Trenching to assist mapping	30,000	45,000
Follow up RAB and RC drilling	-	230,000
Tenement maintenance, research and field support, logistics	10,000	15,000
Total	180,000	450,000

3.6 Project Review and Acquisition Capabilities

The Mongolian – Great Hinggan fold belt and the northern margin of the North China Craton contain significant base metal and gold mineralisation (Yakubchuk et al 2005), within a geological framework in Nei Mongol that appears prospective for a range of Palaeozoic mineral deposits. In addition to the \$4,985,000 budgeted for existing projects, KSM has allocated \$425,000 over two years for initial exploration of any new projects

acquired in the region. The budget, presented in Table 3.6, is designed to allow rapid assessment of new project potential. SRK is unable to comment on the potential or likelihood of obtaining future projects. However, it is SRK's opinion that the KSM team is well networked in Nei Mongol, with substantial experience in the statutory requirements which govern project acquisition and development. Given the Company's experience in China, and its exploration record in Nei Mongol, the proposed budget provides the Company with adequate capital to investigate suitable new project opportunities.

Table 3.6:
Proposed budget
for new projects

Activity	Year 1 (AUD)	Year 2 (AUD)
Geophysics surveys and processing	15,000	20,000
Geological mapping	70,000	80,000
Geochemical sampling and assaying	20,000	30,000
Trenching	10,000	20,000
Drilling and assaying	40,000	40,000
Logistics, fees, applications etc	40,000	40,000
Total	195,000	230,000

4 Exploration Strategy

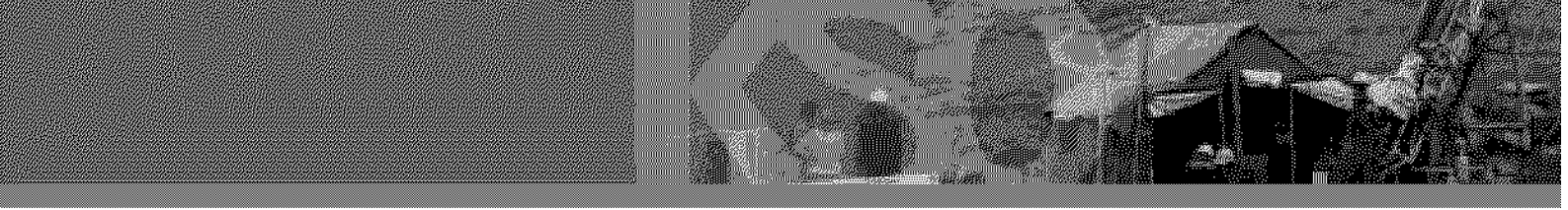
4.1 Cu-Au Porphyry and Skarn Exploration Strategy

Based on the geological understanding of Cu-Au porphyry and related skarn systems outlined above, the key objectives being employed by KSM for the exploration of such systems are:

- Identification of porphyry-style alteration and anomalous Cu-Au geochemistry through detailed mapping and sampling. This data is then used to vector in to the interpreted core of the porphyry system, as determined from the characteristic alteration zones which are typified by these systems (see Section 2.2.1).
- Recognition of intrusive rocks with lithochemical characteristics akin to known mineralized intrusives in the district, and globally.

- Definition of structures spatially associated with potentially mineralising intrusions as a means of identifying the "plumbing architecture" of the porphyry system.
- Identification of potential fluid pathways active at the time of igneous intrusion, and their relationship with potential skarn host-lithologies.

Processing and analysis of multi-channel satellite imagery has been, and will continue to be, initially used by KSM to provide a broad lithological and structural framework at both tenement and prospect scale. Given the paucity of regional geophysical data this provides an excellent overview of the district geology. New targets and any previous areas of exploration or mining activities are followed-up by local geological mapping and grab sampling.



Given the thin cover over KSM targets, techniques such as trenching provide quick and logistically simple methods of assessing the geology and alteration systems. Of particular focus will be identification of fractionated intrusive rocks, and their spatial relationship to structures, documented/mapped alteration, and Cu-Au anomalism in the area. Where appropriate, areas of interest will be tested with local geophysical surveys, soil or BLEG sampling campaigns and ultimately RC or diamond drill testing.

An understanding of the interplay between lithological units, alteration assemblages and structure, is critical in the exploration for porphyry systems. The exploration programme proposed by KSM is aimed at determining these relationships, with the proposed approach having yielded useful information to date. In SRK's opinion, KSM's exploration strategy for Cu-Au porphyry and skarn mineralisation is based on sound technical merit, given the current understanding of the geological and structural setting of their tenements.

5 Conclusions

This report documents the exploration tenements held by KSM, which are prospective for base metals and gold. There are no resources (JORC-compliant or Chinese classified) defined on any of the properties presented above. As such, the properties are speculative by nature and involve varying degrees of moderate to high exploration and financial risk. However, SRK is of the view that the Projects are sufficiently prospective to warrant exploration at the budgetary levels indicated by the Company, given the results of exploration work carried out by the Company and previous workers, as presented to SRK.

The state of exploration for Nei Mongol is at a relatively immature stage, and as such there is a paucity of detailed datasets available over the tenements held by KSM. However, available data indicates zones of anomalous copper and gold mineralization throughout parts of the KSM tenements. The Company intends to test these initial results by conducting focussed geophysical, geochemical and geological mapping surveys over these areas, as a means of better constraining the size, continuity and distribution of the currently defined porphyry-related Cu and mesothermal Au mineralisation. In SRK's view, the prospectivity of the KSM tenements, as defined by previous workers and the Company, is sufficient enough to warrant the application of future exploration programmes at

4.2 Mesothermal/Orogenic Au exploration strategy

The key criteria used for the exploration of mesothermal Au deposits that will be applied by KSM are:

- The presence of regional-scale and subordinate structures which display anomalous precious metal geochemistry and related hydrothermal silicate alteration at the camp-to prospect-scale.
- The development of complex geometries of structures such as kinks or jogs
- Identification of brittle veins or networks of veins, with associated alteration selvages and anomalous precious metal geochemistry.
- Ore-related alteration of a dominantly quartz-carbonate-sulphide-gold assemblage.

On-going work will involve detailed mapping in order to define the geological and structural setting of the vein systems within the KSM tenements. Tenement scale mapping is also designed to outline further target areas within the region, through the development of a working structural and genetic model for mesothermal/orogenic Au deposition within the Mongolian – Great Hinggan Fold Belt.

the budgetary levels proposed by the Company. The exploration programs proposed by KSM have sound technical merit and are justified by the available existing datasets.

SRK is of the opinion that there is a good balance of projects at various stages of development in the portfolio, and when considered together, form an appropriate mix of mid-stage and greenfield exploration properties. It is SRK's view that the work program and budget have sufficient technical merit to satisfy the requirements of the ASX listing rules.

A budget of \$4,985,000 has been allocated to exploration programs for granted tenements in Years one and two. A total budget of \$5,410,000 for all exploration work, inclusive of capital to be used to investigate new project opportunities, has been

proposed for the first two years (see Table 5.1). The budgetary levels proposed by KSM demonstrate a high level of commitment by the Company to vigorously explore its current tenement holding over

an expedient time frame. As such, it is SRK's opinion that the business objectives of KSM are closely aligned with the work program outlined by the Company in the exploration budget.

Table 5.1:
Summary of
exploration budget
by exploration
work type

Activity	Year 1 (AUD)	Year 2 (AUD)	Total (AUD)
Geophysics surveys and processing	165,000	80,000	245,000
Geological mapping and research	405,000	300,000	705,000
Geochemical sampling and assaying	195,000	160,000	355,000
Trenching	105,000	145,000	250,000
Drilling and assaying	1,175,000	2,305,000	3,480,000
Logistics, tenement fees etc	155,000	220,000	375,000
Total	2,200,000	3,210,000	5,410,000

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7 Glossary

Aeolian	Relating to wind-formed surface deposits, typically composed of fine sand and sediment.
Aeromagnetic Survey	Traverses carried out along equally spaced lines that measure the strength of the earth's magnetic field.
Ag	Silver.
Alkaline	Relating to or containing an alkali; having a pH greater than 7.
Alluvium	A general term for unconsolidated material deposited during comparatively recent geologic time by a stream or other form of running water.
Anomaly	A departure from the expected norm. In mineral exploration this term is generally applied to either geochemical or geophysical values higher or lower than the norm.
Archaeon	A geological eon of time before 2500 Ma.
ASX	Australian Stock Exchange.
Au	Gold.
Basement	The igneous and metamorphic rocks that exist below the oldest sedimentary cover. In some areas such as shields the basement rocks may be exposed at the surface.
Base-metal	A metal which oxidises when heated in air, e.g. lead, copper, tin, zinc, as opposed to noble metals such as gold and platinum.
Breccia	A coarse-grained clastic rock composed of angular and/or sub-angular broken rock fragments held together by a mineral cement or in a fine-grained matrix.
Bull's-eye	Elliptical or circular feature, possibly with concentric bands.
Cenozoic	A geological period of time from 64 Ma to the present.
Carbonate	A salt or ester of carbonic acid (containing the anion CO ₃).
Chalcopyrite	A yellow mineral, essentially CuFeS ₂ , that is an important ore of copper. Also called copper-pyrite.
Colluvium	A loose deposit of rock debris accumulated through the action of gravity.
Conglomerate	A sedimentary rock consisting of other variably rounded rocks and quartz fragments that have been cemented together.
Craton	A craton is an old and stable part of the continental crust that has survived the merging and splitting of continents and supercontinents for at least 500 million years.
Cu	Copper.
Disseminated sulphide	Sulphide mineralisation where sulphide grains are dispersed widely between other mineral grains in the rock.
Dyke	Tabular body of intrusive igneous rock which cuts across the layering or structural fabric of the host rock.
ELA	Exploration Licence Application.
Electromagnetic Survey	Traverses carried out along equally spaced lines that input an electrical field to the ground, and measure the changes in the earth's magnetic field at different times after the application of the electrical field.

Fe	Iron.
Felsic volcanic rock	A generally finely crystalline or glassy igneous rock having abundant light-coloured minerals (quartz, feldspar, muscovite) resulting from volcanic action at or near the surface of the earth.
Granite	A plutonic rock in which quartz constitutes 10 to 50% of the felsic components and in which the alkali feldspar/total feldspar ratio is restricted to the range of 65 to 90%.
Hematite	An oxide mineral with the general formula $\alpha\text{Fe}_2\text{O}_3$
Hydrothermal	Heated water and its actions.
Induced Polarisation	The production of a double layer of charge at a mineral interface, or production of charges in double-layer density of charge, brought about by application of an electric or magnetic field.
IPO	Initial Public Offering.
Ma	Million years.
Magma	Naturally occurring molten and mobile rock material, generated within the Earth and capable of intrusion or extrusion, from which igneous rocks are thought to have been derived through solidification and related processes.
Magnetite	An oxide mineral with the general formula $\text{Fe}_2+\text{Fe}_3+2\text{O}_4$
Massive sulphide	Sulphide mineralisation where a large number of sulphide grains are in contact with each other.
Mesoproterozoic	A geological era of time from 1600 Ma to 1000 Ma.
Mesozoic	A geological period of time from 251 Ma to 65 Ma.
Metamorphism	The mineralogical, chemical and structural adjustment of solid rocks to physical and chemical conditions which have generally been imposed at depth below the surface zones of weathering, and which differ from the conditions under which the rocks in question originated.
Palaeozoic	A geological eon of time, from 542 Ma to 251 Ma.
Phanerozoic	A geological period of time or era, from 542 Ma to the present.
ppb	Parts per billion.
ppm	Parts per million.
Precambrian	A geological eon of time from ~4500 Ma to 542 Ma.
Proterozoic	A geological eon of time from 2500 Ma to 542 Ma.
Pyrite	A brass-coloured mineral, FeS_2 , occurring widely and used in producing sulfur dioxide for sulfuric acid. Also called fool's gold, iron pyrites.
Quartz	Silica oxide, and is the most abundant mineral in the crust.
RC	Reverse Circulation.
Sandstone	A sedimentary rock composed mostly of grains (typically quartz, but also other minerals and rock fragments). Grain size varies from 1/16mm to 2mm in diameter.
Schist	A metamorphic rock displaying schistose structure. Schistosity is a preferred orientation of inequant mineral grains or grain aggregates produced by metamorphic processes. Actually the IUGS (International Union for Geological Sciences) includes the metamorphic rocks named slate and phyllite in the schist group of rocks.
Shear zone	A tabular zone of rock that has been crushed and brecciated by many parallel fractures due to shear strain.
Skarn	Replacement metamorphic calc-silicate rock associated with high temperature hydrothermal fluids, often forming economic concentrations of metals; multiple types defined based on element and host rock composition.
Thrust fault	A fault with a dip of 45 degrees or less over much of its extent with overriding movement of one crustal unit over another.
Unconformity	A substantial break or gap in the geologic record where a rock unit is overlain by another that is not next in stratigraphic succession, such as an interruption in the continuity of a depositional sequence of sedimentary rocks or a break between eroded igneous rocks and younger sedimentary strata.
Weathering	The process of alteration of fresh rock at the earth's surface.

China Title Opinion

8

Date: February, 13 2007

To: King Solomon Mines Limited
Unit 31, 2 Bishop Dunn Place
East Tamaki
Manukau 2013
New Zealand

Dear Sirs,

Re: Inner Mongolia Plate Mining Limited

We are qualified lawyers of the People's Republic of China (the "PRC") and as such are qualified to issue this opinion on the laws and regulations of the PRC. We have been requested to provide this legal opinion in connection with the acquisition by Inner Mongolia Plate Mining Limited (hereafter "Plate") of certain exploration rights in Inner Mongolia evidenced by the exploration licenses copies of which are included in Schedule A.

This legal opinion is rendered only with regard to the laws and regulations of the PRC and will not provide any opinion on any issues on actuarial, audit or assets appraisal or any other professional areas. Furthermore, this legal opinion is rendered in sole reliance upon the applicable laws, administrative regulations and rules promulgated by governmental authorities of the PRC and does not provide any opinion on any laws or regulations of any jurisdiction other than those of the PRC.

For the purpose of giving this legal opinion, we have examined the originals, or copies certified or otherwise identified to our satisfaction, of the following documents:

1. *The Equity Joint Venture Contract* ("JV Contract") between King Solomon Mines Limited ("King Solomon") and Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd. ("AMX") for the establishment of Inner Mongolia Plate Mining Limited dated March 8, 2006;
2. The four exploration licenses issued to AMX ("AMX Exploration Licenses") as follows:

Current Exploration License No.	Original License Date	Current Validity Term
1525000630284	November 3, 2004	From November 3, 2006 to November 3, 2007
1525000630285	November 3, 2004	From November 3, 2006 to November 3, 2007
1525000630286	November 10, 2004	From November 10, 2006 to November 10, 2007
1525000630287	November 10, 2004	From November 10, 2006 to November 10, 2007

3. Two exploration licenses ("TKE Exploration Licenses") issued to Tai Yuan City Kailijie Electron Co., Ltd. ("TKE") as follows:

Current Exploration License No.	Original License Date	Current Validity Term
1525000630171	August 9, 2005	From August 9, 2006 to August 9, 2007
1525000630172	June 16, 2005	From June 16, 2006 to June 16, 2007

4. *Exploration Rights Transfer Contract* ("Transfer Contract") between the Plate and TKE Co. dated August 28, 2006 for the transfer of TKE Exploration Licenses to Plate.

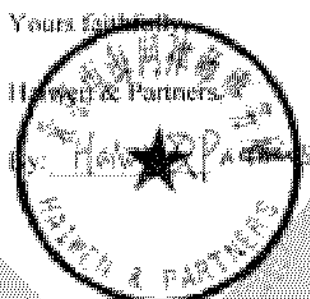
Where appropriate, we have also conducted investigation, research and review of other relevant documents, and applicable laws and regulations of the PRC, and conducted searches at appropriate registries or offices.

In giving this opinion, we have assumed that:

- (1) all the documents provided to us are complete and accurate;
- (2) all the stamps and signatures on relevant documents are genuine and real, and each document submitted to us as a copy is in conformity with the original; the entity sealing such stamps and signature is capable of and entitled to carry out such an act of stamping and signing;
- (3) all the facts relevant to this legal opinion has been disclosed to us;
- (4) all the internal authorization and permission procedures of relevant parties in relation to the execution and delivery of the documents provided to us have been duly completed;
- (5) up to the date first above written in this legal opinion, none of the documents has been revoked, amended, varied or supplemented since the first time they were presented to us.

Based on the foregoing examinations and assumptions, we are of the following opinions:

- (a) PRC laws and regulations governing the transfer of exploration rights impose the following conditions ("**Transfer Conditions**") that must be satisfied before exploration rights may be transferred: *(i) two years have elapsed since the exploration license was initially granted or minerals are discovered in the exploration areas that merit further exploration or mining; (ii) the minimum investment in exploration as required by law has been made; (iii) the exploration license is not subject to any title dispute; (iv) the exploration right usage fees have been duly paid; and (v) other conditions imposed by the applicable authorities for land and resources.* The application for the transfer of the AMX Exploration Licenses and the TKE Exploration Licenses can be submitted to the applicable authorities for land and resources for approval after all the Transfer Conditions are satisfied.
- (b) AMX has a contractual obligation to King Solomon under the terms of the JV Contract to transfer to Plate the rights under the AMX Exploration Licenses. The JV Contract is binding and enforceable in the PRC. The transfer of the AMX Exploration Licenses in performance of that contractual obligation is subject to approval by the applicable authorities for land and resources ("**Approval**"). As evidenced by the information in paragraph 2 above, the AMX Exploration Licenses have been renewed and remain valid. We are not aware of any factual circumstances or applicable law that would suggest that:
 - (i) items (i), (ii), (iii) and (iv) of the Transfer Conditions have not been satisfied; and
 - (ii) the Approval will not be granted.
- (c) Pursuant to the Transfer Contract, TKE is required to transfer to the Plate the TKE Exploration Licenses for a consideration of RMB 750,000. As evidenced by a payment receipt, Plate paid RMB 500,000 to TKE upon signing of the Transfer Contract and the remaining amount will be paid at the completion of the transfer. The Transfer Contract comes into effect upon approval by the applicable authorities for land and resources. As evidenced by the information in paragraph 3 above, the TKE Exploration Licenses have been renewed and remain valid. After the TKE Exploration Licenses have met the two year requirement and the other Transfer Conditions, the TKE Exploration Licenses can be transferred to the Plate upon approval by the applicable authorities for land and resources. Other than the above, we are not aware of any factual circumstances or applicable law that would suggest that:
 - (i) items (i), (ii), (iii) and (iv) of the Transfer Conditions have not been satisfied; and
 - (ii) the Approval will not be granted.



Schedule A Exploration Licences

Particulars of AMX Exploration Licences

These Certificates of Mineral Exploration Right are hereby granted based on the Laws and Regulations and through practice of censoring.

CERTIFICATE NUMBER: 1525000630284

Right Holder: Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd.
 Address of the Right holder: No.1, Ma Hua Ban No. 5 Gang Xiu Suo Hou Street, New Urban District, Hohhot City, Inner Mongolia
 Project title: Basic exploration of Ba Yan Ao Bao gold deposit of Sonid Zuqi banner, Inner Mongolia
 Location: Man Du La Tu Township, Sonid Zuqi banner, Inner Mongolia
 Map number: K49E003022
 Area: 47.24km²
 Validity: From 3 November, 2006 to 3 November, 2007
 Exploration team: Comprehensive Exploration Brigade, Non-Ferrous Geological Exploration Bureau of Inner Mongolia
 Address of the exploration team: Airport Rd., East Suburb, Hohhot City
 ISSUED BY Registration office of Inner Mongolia Land and Resource Bureau for mineral exploration rights on 23 September, 2006.

CERTIFICATE NUMBER: 1525000630285

Right Holder: Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd.
 Address of the Right holder: No.1, Ma Hua Ban No. 5 Gang Xiu Suo Hou Street, New Urban District, Hohhot City, Inner Mongolia
 Project title: Geological reconnaissance of Arshante gold deposit of Sonid Zuqi banner, Inner Mongolia
 Location: Man Du La Qi Town, Sonid Zuqi banner, Inner Mongolia
 Map number: K49E003022
 Area: 74.67km²
 Validity: From 3 November, 2006 to 3 November, 2007
 Exploration team: Comprehensive Exploration Brigade, Non-Ferrous Geological Exploration Bureau of Inner Mongolia
 Address of the exploration team: Airport Rd., East Suburb, Hohhot City
 ISSUED BY Xi Lin Guo Le Meng Land and Resource Bureau on 19 October, 2006 and Inner Mongolia Land and Resource Department on 25 September, 2006.

CERTIFICATE NUMBER: 1525000630286

Right Holder: Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd.
 Address of the Right holder: No.1, Ma Hua Ban No. 5 Gang Xiu Suo Hou Street, New Urban District, Hohhot City, Inner Mongolia
 Project title: Geological reconnaissance of Bai Yin gold deposit of Sonid Zuqi banner, Inner Mongolia
 Location: Bai Yin Bao Li Dao Su Mu, Sonid Zuqi banner, Inner Mongolia
 Map number: K49E002023
 Area: 39.73km²
 Validity: From 10 November, 2006 to 10 November, 2007
 Exploration team: Comprehensive Exploration Brigade, Non-Ferrous Geological Exploration Bureau of Inner Mongolia
 Address of the exploration team: Airport Rd., East Suburb, Hohhot City
 ISSUED BY Xi Lin Guo Le Meng Land and Resource Bureau on 19 October, 2006 and Inner Mongolia Land and Resource Department on 25 September, 2006.

Continued overpage

Schedule A Exploration Licences continued

Particulars of AMX Exploration Licences continued

These Certificates of Mineral Exploration Right are hereby granted based on the Laws and Regulations and through practice of censoring.

CERTIFICATE NUMBER: 1525000630287

Right Holder: Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd.
Address of the Right holder: No.1, Ma Hua Ban No. 5 Gang Xiu Suo Hou Street, New Urban District, Hohhot City, Inner Mongolia
Project title: Geological reconnaissance of Ha'er gold deposit of Sonid Zuoqi banner, Inner Mongolia
Location: Bai Yin Bao Li Dao Su Mu, Sonid Zuoqi banner, Inner Mongolia
Map number: K49E002023
Area: 24.82km²
Validity: From 10 November, 2006 to 10 November, 2007
Exploration team: Comprehensive Exploration Brigade, Non-Ferrous Geological Exploration Bureau of Inner Mongolia
Address of the exploration team: Airport Rd., East Suburb, Hohhot City
ISSUED BY Xi Lin Guo Le Meng Land and Resource Bureau on 19 October, 2006 and Inner Mongolia Land and Resource Department on 25 September, 2006.

Particulars of TKE Exploration Licences

These Certificates of Mineral Exploration Right are hereby granted based on the Laws and Regulations and through practice of censoring.

CERTIFICATE NUMBER: 1525000630171

Right Holder: Tai Yuan Kailijie Electronics Co., Ltd.
Address of the Right holder: Chao Yang Street 242, Ying Ze District, Tai Yuan, Shangxi, PRC
Project title: Basic exploration of copper multi-metal deposits in Amuyitele mining area of Sonid Zuoqi banner, Inner Mongolia
Location: Approximately 145 KM northwest to Man Du La Tu Town, Sonid Zuoqi banner, Inner Mongolia
Map number: L49E019018
Area: 87.00km²
Validity: From 9 August, 2006 to 9 August, 2007
Exploration team: Ninth Geological Exploration and Exploitation Institute of Inner Mongolia
Address of the exploration team: Nadamu Ave. 96, Xilinhot, Inner Mongolia
ISSUED BY Xi Lin Guo Le Meng Land and Resource Bureau on July 24, 2006 and Inner Mongolia Land and Resource Department on 26 June, 2006.

CERTIFICATE NUMBER: 1525000630172

Right Holder: Tai Yuan Kailijie Electronics Co., Ltd.
Address of the Right holder: Chao Yang Street 242, Ying Ze District, Tai Yuan, Shangxi, PRC
Project title: Basic exploration of copper multi-metal deposits in Wu Ri Tu Ao Bao of Sonid Zuoqi banner, Inner Mongolia
Location: Approximately 40 KM southeast to Man Du La Tu Town, Sonid Zuoqi banner, Inner Mongolia
Map number: K49E004024, K49E003024
Area: 33.64km²
Validity: From 16 June, 2006 to 16 June, 2007
Exploration team: Ninth Geological Exploration and Exploitation Institute of Inner Mongolia
Address of the exploration team: Nadamu Ave. 96, Xilinhot, Inner Mongolia
ISSUED BY Xi Lin Guo Le Meng Land and Resource Bureau on 24 July, 2006 and Inner Mongolia Land and Resource Department on 26 June, 2006.

Investigating Accountant's Report

9a

Grant Thornton 

The Board of Directors
King Solomon Mines Limited
PO Box 69
Paekakariki 5034
NEW ZEALAND

26 February 2007

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

Grant Thornton Corporate (NSW) Pty Limited ("Grant Thornton Corporate Finance") has been engaged by King Solomon Mines Limited ("the Company") and its controlled entity ("the Group") to prepare an Investigating Accountant's Report for inclusion in a Prospectus dated on or about 26 February 2007 ("the Prospectus") relating to the offer of 40,000,000 ordinary shares at an offer price of \$0.20 per share ("the Offer").

Expressions defined in the Prospectus have the same meaning in this report.

2. Financial Information

Grant Thornton Corporate Finance has been requested to prepare a report covering the statutory historical financial information and pro forma historical financial information (together "the historical financial information") as described below and disclosed in Section 10 of the Prospectus.

2.1 Statutory Historical Financial Information

The statutory historical financial information of the Group, described in Section 10 of the Prospectus, comprises the:

- audited historical income statement of the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006;
- audited historical balance sheet of the Group as at 31 March 2006 and 31 October 2006; and
- audited historical statement of cash flows for the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006.

The Directors of the Company are responsible for the preparation and presentation of the statutory historical financial information.

The statutory historical financial information for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 has been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards ("NZIFRS").

The statutory historical financial information in the Prospectus is presented in an abbreviated form in so far as it does not include all the disclosures required under NZIFRS applicable to annual financial reports prepared in accordance with the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

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2.2 Pro forma Historical Financial Information

The pro forma historical financial information of the Group, described in Section 10 of the Prospectus, comprises the unaudited pro forma historical balance sheet of the Group as at 31 October 2006.

The Directors of the Company are responsible for the preparation and presentation of the pro forma historical financial information.

The pro forma historical financial information as at 31 October 2006 has been prepared in accordance with NZIFRS.

The pro forma historical financial information in the Prospectus is presented in an abbreviated form insofar as it does not include all the disclosures required by NZIFRS applicable to annual financial reports prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

3. Scope

3.1 Review of the Statutory Historical Financial Information

We have reviewed the statutory historical information in order to report whether anything has come to our attention, which causes us to believe that the statutory historical financial information of the Group, as set out in Section 10 of the Prospectus, does not present fairly the:

- audited historical income statement of the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006;
- audited historical balance sheet of the Group as at 31 March 2006 and 31 October 2006; and
- audited historical statement of cash flows for the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006,

in accordance with the recognition and measurement principles prescribed in NZIFRS and other mandatory professional reporting requirements in New Zealand, and accounting policies adopted by the Company disclosed in Section 10 of the Prospectus.

We have conducted our review of the pro forma historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including a review of the pro forma transactions and/or adjustments made to the pro forma historical financial information ("pro forma transactions").

We have conducted our review of the statutory historical financial information in accordance with the Australian Auditing and Assurance Standard AUS 902 "Review of Financial Reports". We made such enquiries and performed such procedures as we, in our professional judgement, considered reasonable in the circumstances including:

- analytical procedures on the audited financial performance of the Group for the relevant historical period;
- translation of the functional currency of New Zealand dollars disclosed in the historical financial information to Australian Dollars for the purposes of presentation in the financial information section of the Prospectus;
- a review of workpapers, accounting records, audit files of the Group and other documents and reports;
- a comparison of consistency in application of the recognition and measurement principles in Accounting Standards and other mandatory professional reporting requirements in New Zealand, and the accounting policies adopted by the Group disclosed in Section 10 of the Prospectus; and
- enquiry of Directors, management, auditors and others of the Group.

3.2 Review of the Pro forma Historical Financial Information

We have reviewed the pro forma historical financial information in order to report whether anything has come to our attention, which causes us to believe that the pro forma historical financial information of the Group, as set out in Section 10 of the Prospectus, does not present fairly the pro forma historical balance sheet of the Group as at 31 October 2006 on the basis of the pro forma transactions and adjustments described in Section 10 of the Prospectus, and in accordance with the recognition and measurement principles prescribed in NZIFRS and other mandatory professional reporting requirements in New Zealand, and accounting policies adopted by the Company disclosed in Section 10 of the Prospectus.

These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

4. Conclusion

4.1 Review Statement on the Statutory Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the:

(a) statutory historical financial information, as set out in Section 10 of the Prospectus does not present fairly the:

- (i) audited historical income statement of the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006;
- (ii) audited balance sheet of the Group as at 31 March 2006 and 31 October 2006, and
- (iii) audited statement of cash flows of the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006,

in accordance with the recognition and measurement principles prescribed in NZIFRS and other mandatory professional reporting requirements, and accounting policies adopted by the Group disclosed in Section 10 of the Prospectus.

4.2 Review Statement on the Pro Forma Historical Financial Information

Based on our review, which is not an audit, nothing has come to our attention, which causes us to believe that the:

(a) pro forma historical financial information of the Group, as set out in Section 10 of the Prospectus does not present fairly the:

- (i) pro forma historical balance sheet of the Group as at 31 October 2006 on the basis of the pro forma transactions and/or adjustments described in the Prospectus, and in accordance with the recognition and measurement principles prescribed in NZIFRS and other mandatory professional reporting requirements in New Zealand, and accounting policies adopted by the Company disclosed in Section 10 of the Prospectus.

5. Subsequent events

Apart from the matters dealt with in this report, and having regard to the scope of our report, to the best of our knowledge and belief, no material transactions or events outside of the ordinary business of the Group have come to our attention that would require comment on, or adjustment to, the information referred to in our report or that would cause such information to be misleading or deceptive.

6. Responsibility

Grant Thornton Corporate Finance has consented to the inclusion of this Investigating Accountant's Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, Grant Thornton Corporate Finance makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

7. Independence

Grant Thornton Corporate Finance does not have any interest in the outcome of this issue other than in connection with the preparation of this report and participation in due diligence procedures for which normal profession fees will be received.

8. General Advice Warning

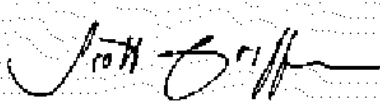
This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decision in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

GRANT THORNTON CORPORATE (NSW) PTY LTD



NEIL COOKE
Director



SCOTT GRIFFIN
Director

Independent Taxation Report

Grant Thornton 

The Board of Directors
King Solomon Mines Limited
PO Box 69
Paekakariki 5039
NEW ZEALAND

26 February 2007

Dear Directors

INDEPENDENT TAXATION REPORT

1. Introduction

As requested we provide herein a report that deals with the income tax issues that will arise in relation to Australian and New Zealand tax resident investors who subscribe for shares in King Solomon Mines Limited ("the Company"). The report has been prepared for inclusion in the Company's Prospectus to be dated on or about 26 February 2007 and should be read in conjunction with that Prospectus.

2. Scope of report

Our advice is based on the relevant provisions of the Income Tax Assessment Act 1936 ("the 1936 Act"), the Income Tax Assessment Act 1997 ("the 1997 Act") and the Income Tax Rates Act that are current at the date of this report. The New Zealand advice is based on the present provisions and interpretation of the Income Tax Act 2004 that are current at the date of this report. These Australian and New Zealand laws will be collectively referred to as "the Tax Laws" in this report.

A particular taxpayer's liability under the Tax Laws is determined having regard to the application of the Tax Laws to the particular facts and circumstances of the taxpayer and to all relevant surrounding facts and circumstances. Accordingly, this report is only a general overview of the potential application of the Tax Laws and is not a detailed analysis of how those Tax Laws may apply to a particular taxpayer.

As the tax law is subject to change and each investor's tax consequences depend on their own specific circumstances, each investor should seek appropriate independent advice.

This report does not discuss taxation issues arising for the Company generally or specifically arising from the matters discussed in the Prospectus.

3. Summary of taxation implications

3.1. Tax Residency of the Company

The Company is incorporated in New Zealand and to the extent that it maintains its effective management in New Zealand will be a resident of New Zealand for income tax purposes. Sections 3.2 and 3.3 of this report assume that the company continues to be a resident of New Zealand for income tax purposes.

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entities throughout the world.



3.2. Australian Investors

An investor that is a resident of Australia for income tax purposes is generally required to include in their assessable income all income derived from all sources whether in or out of Australia for the relevant year of income. This will generally include dividend income and capital gains regardless of the source, subject to any exemptions or concessions that may be available to a particular investor.

(i) Dividend Distributions

Where the Company pays a dividend to an Australian resident shareholder, the Company must deduct 15% non-resident withholding tax from the dividend.

New Zealand's foreign investor tax credit ('FITC') rules allow a fully imputed dividend to be paid to a non-resident shareholder effectively free of withholding tax. A supplementary dividend is paid in addition to the ordinary dividend that offsets the 15% withholding tax cost. The result in cash terms is that the non-resident shareholder receives the full amount of ordinary dividend.

Individuals

A dividend received from the Company by an Australian tax resident individual shareholder should be included in the investor's assessable income for the relevant year of income.

For income tax purposes the dividend received is to be grossed up for any withholding tax deducted in New Zealand. A foreign tax credit may be available to the shareholder for the New Zealand withholding tax deducted in relation to the dividend paid.

The amount of the foreign tax credit allowed as a credit for an individual Australian tax resident is limited to the extent of the primary tax payable in the hands of the shareholder in respect of the dividend. The amount of the foreign tax credit to be offset against the shareholder's income tax liability is the lesser of:

- a. The income tax payable on the dividend; or
- b. The amount of the foreign tax credit.

Additionally, the Company may elect for the Australian imputation system to apply in respect of any Australian income tax paid. The effect of such an election will require the Company to maintain an Australian franking account and will allow the Company to frank dividends.

However, only Australian resident investors will be able to benefit from the Australian franking credit. Where an Australian investor receives a dividend that has been franked, the franking credit is included as assessable income, however the franking credit is then available as a tax offset that reduces the amount of income tax payable by the investor.

Company

Where the Company pays a dividend to an Australian tax resident corporate shareholder that holds less than 10% voting interest in the Company, the shareholder should include for income tax purposes the dividend grossed up for any withholding tax deducted in New Zealand. A foreign tax credit may be available to the shareholder for the New Zealand withholding tax deducted from the dividend paid.

Where the Company pays a dividend to an Australian tax resident corporate shareholder that holds at least 10% of the voting interest in the Company, the shareholder should qualify for an income tax exemption in respect of the dividend paid by the Company. No foreign tax credit is available to a shareholder if the dividend is exempt from income tax. Also, any interest incurred in respect of borrowings to acquire the shares under this Offer will be non-deductible for income tax purposes.

(ii) Dividend Reinvestment Plan

Where dividends are reinvested by an Australian resident investor in order to receive new Shares in the Company, the investor will be liable to pay both withholding tax in New Zealand and income tax in Australia (if applicable) as described above.

(iii) Disposal of Shares

The taxation treatment on the disposal of Shares will depend upon whether the shares are held on revenue or capital account.

Australian resident shareholders who trade in shares as part of the ordinary course of their business would hold their shares on revenue account. These shareholders will be required to include the profit arising from the disposal of their shares in their assessable income. Conversely, a loss arising from the disposal of shares on revenue account would be allowed as a deduction from assessable income.

Generally, for many Australian tax resident investors the acquisition of Shares under this Offer should be a capital asset and subject to the Capital Gains Tax (CGT) regime. For CGT purposes, an investor acquires the Shares on the date the Shares are issued or transferred. The cost base of Shares acquired is generally the amount the investor pays to acquire the Shares and any associated costs incurred, including, for example, brokerage and stamp duty.

Capital gains derived from the disposal of Shares should be subject to CGT. A capital gain is derived where the proceeds received from the disposal of Shares exceed the cost base. Alternatively, an investor should incur a capital loss where the proceeds received from the disposal of Shares are less than the cost base.

Capital losses derived during the year or from prior years carried forward can be used to reduce any capital gains derived. Capital losses can only be offset against capital gains.

Net capital gains are to be included in assessable income of the Australian tax resident investor. The applicable tax payable on the net capital gain will be dependant on the type of investor. An Australian tax resident individual investor will be taxed at their marginal rate. Alternatively, an Australian resident company investor will be subject to tax at the corporate rate of 30% of taxable income.

Where an Australian tax resident investor has held the Shares as a capital asset for at least 12 months the capital gain may be reduced by the general CGT discount concession for particular investors. The discount percentage for individual and trusts is 50%, and for complying superannuation funds and life insurance companies 33%. This means generally only 50% (for individuals and trusts) and 67% (for complying superannuation funds) of the capital gain is included in the investor's assessable income after the offset of any capital losses. Corporate investors are not eligible for the general CGT discount concession.

Where an investor is an Australian resident company that holds at least 10% of the voting interest in the Company, the shareholder should qualify for a reduction in the taxable capital gain. The capital gain is reduced by the 'active foreign business assets percentage', which is broadly equal to the amount of active foreign assets of the Company over the total assets of the Company.

(iv) Accruals Taxation

Investors should consider the impact of accruals taxation regimes, such as the Controlled Foreign Company ('CFC') measures and Foreign Investment Fund ('FIF') measures, on their shareholding.

3.3. New Zealand Investors

An investor that is a resident of New Zealand for income tax purposes is generally required to include in their assessable income all income from all sources for the relevant year of income.

(i) Dividend Distributions

Where the Company pays a dividend to a New Zealand resident shareholder, the Company must deduct 33% resident withholding tax from the dividend except to the extent that imputation credits have been attached to that dividend or the shareholder provides a certificate of exemption.

A New Zealand resident shareholder receiving a dividend from the Company will be taxable on the gross dividend (including imputation credits) but can generally claim a tax credit in their income tax return for any imputation credits attached to the dividend and/or resident withholding tax deducted.

(ii) Dividend Reinvestment Plan

Where dividends are reinvested by a New Zealand resident shareholder in order to receive new shares in the Company, the Company will still have an obligation to attach imputation credits and/or deduct resident withholding tax as described above.

(iii) Disposal of Shares

The taxation treatment on the disposal of Shares by a New Zealand tax resident shareholder will be dependent on the shareholder's particular circumstances.

Generally, the profit from the disposal of Shares by a New Zealand tax resident shareholder will be taxable if the Shares were acquired by a share trader or for the dominant purpose of resale.



3.4. Non-Residents

Non-residents of Australia or New Zealand should consult their own tax advisor to determine the taxation implications of their domestic jurisdiction in respect of this Offer.

4. Responsibility

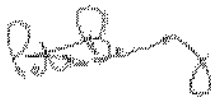
Grant Thornton Services (NSW) Pty Ltd has consented to the inclusion of this Independent Taxation Report in the Prospectus in the form and context in which it is included, but has not authorised the issue of the Prospectus. Accordingly, Grant Thornton Services (NSW) Pty Ltd makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Prospectus.

5. General advice warning

This report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to take the place of professional advice and investors should not make specific investment decision in reliance on the information contained in this report. Before acting or relying on any information, an investor should consider whether it is appropriate for their circumstances having regard to their objectives, financial situation or needs.

Yours faithfully

GRANT THORNTON SERVICES (NSW) PTY LTD



PETER BERG
Director

Financial Information

Introduction

The Financial Information presented in this Section should be read in conjunction with the risk factors in Section 11 and the Investigating Accountant's Report in Section 9.

10.1 Historical and pro forma information

This Section contains a summary of the Historical Financial Information and Pro Forma Financial Information, together referred to as the "Financial Information".

The Historical Financial Information comprises:

- the audited historical income statement of the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 as set out in Section 10.3;
- the audited historical balance sheet of the Group as at 31 March 2006 and 31 October 2006 as set out in Section 10.4; and
- audited historical cash flow statement for the Group for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 as set out in Section 10.6.

The Pro Forma Financial Information comprises:

- the pro forma historical balance sheet of the Group as at 31 October 2006 as set out in Section 10.4 which has been derived from the audited consolidated balance sheet of the Group as at 31 October 2006 and adjustments set out in Section 10.5; and
- notes to the Historical and Pro Forma Financial Information.

10.2 Sources of historical financial information

The Pro Forma Historical Financial Information for the period ended 31 October 2006 has been derived from the audited financial statements of the Group, which have been prepared in accordance with the recognition and measurement principles prescribed under New Zealand equivalents to International Financial Reporting Standards ("NZIFRS") and other mandatory professional reporting requirements in New Zealand.

The historical financial statements of the Group have been audited by PriceWaterhouseCoopers ("PwC").

For the purposes of the Prospectus, the Directors have translated the functional currency disclosed in the Historical Financial Information into Australian Dollars having regard to *NZ IAS 21: "The Effects of Changes in Foreign Exchange Rates"*. The Company proposes to report in Australian Dollars in the future.

In presenting the Financial Information in this Prospectus the following rates have been used:

Rate	Period	NZ\$/AUD\$
Spot rate	as at 31/10/2006	0.86
Spot rate	as at 31/03/2006	0.86
Spot rate	as at 31/03/2005	0.92
Spot rate	as at 31/03/2004	0.87
Average rate	1 April 2006 to 31 October 2006	0.84
Average rate	1 April 2005 to 31 March 2006	0.92
Average rate	1 April 2004 to 31 March 2005	0.91
Average rate	1 April 2003 to 31 March 2004	0.88

Source: www.oqnda.com

10.3 Consolidated income statement

The audited consolidated income statement for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 is set out below.

	Audited year ended 31 March	Unaudited year ended 31 March	Audited 7 month period ended 31 October	Unaudited 7 month period ended 31 October
	2006	2006	2006	2006
	NZD	AUD	NZD	AUD
Revenue				
Foreign exchange	5,035	4,628	17,988	15,174
Dividend income	-	-	455	384
Interest received	7,672	7,052	17,100	14,425
Total revenue	12,707	11,680	35,543	29,983
Expenditure				
Accountancy fees	3,000	2,757	14,699	12,400
Amortisation of intangible assets	-	-	23	19
Audit fees	11,500	10,570	10,025	8,457
Consultancy fees	151,599	139,344	192,634	162,502
Depreciation of plant and equipment	920	846	2,450	2,067
Geological supplies	30,955	28,453	24,075	20,309
Legal fees	31,383	28,846	63,863	53,874
Office expenses	8,481	7,794	40,035	33,773
Professional fees	11,567	10,632	36,063	30,422
Share option expense	-	-	219,390	185,073
Travel expense	54,521	50,114	45,734	38,580
Salaries and wages expense	19,200	17,648	29,258	24,681
Total expenditure	323,126	297,004	678,249	572,157
Loss from ordinary activities before income tax expense	310,419	285,324	642,706	542,174
Income tax expense	-	-	145	122
Loss from ordinary activities after income tax expense	310,419	285,324	642,851	542,296

The audited income statement for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 does not include any costs associated with the Company operating as a publicly listed company.

10.4 Consolidated balance sheet and pro forma balance sheet

The pro forma consolidated balance sheet as at 31 October 2006 is provided below.

		Audited as at 31 October 2006 NZD	Unaudited as at 31 October 2006 AUD	Unaudited pro forma as at 31 October 2006 NZD	Unaudited pro forma as at 31 October 2006 AUD
	Notes				
Current assets					
Cash assets	2	376,349	324,616	9,100,130	8,083,579
Other receivables		55,749	48,086	55,749	48,086
Other current assets		12,096	10,433	12,096	10,433
Total current assets		444,194	383,135	9,167,975	8,142,098
Non-current assets					
Plant and equipment		120,083	103,577	120,083	103,577
Exploration and evaluation expenditure	3	714,517	616,299	714,517	616,299
Total non-current assets		834,600	719,876	834,600	719,876
Total assets		1,278,794	1,103,011	10,002,575	8,861,974
Current liabilities					
Other payables		153,542	132,436	153,542	132,436
Total current liabilities		153,542	132,436	153,542	132,436
Total liabilities		153,542	132,436	153,542	132,436
Net assets		1,125,252	970,575	9,849,033	8,729,538
Equity					
Issued capital	4	2,145,977	1,823,862	10,903,468	9,612,825
Reserves	5	183,894	202,569	183,894	202,569
Retained losses	6	(1,204,619)	(1,055,856)	(1,238,329)	(1,085,856)
Total equity		1,125,252	970,575	9,849,033	8,729,538

10.5 Pro forma adjustments

The consolidated pro forma balance sheet has been prepared from the audited consolidated balance sheet at 31 October 2006 adjusted for the following transactions as if they had taken place on 31 October 2006:

- subsequent to 31 October 2006, the Company completed the following share allotments:
 - the issue of 99,000 new shares at \$2.55 (NZ\$2.90) per share to raise \$251,963 (NZ\$287,100);
 - the issue of 28,000 new shares at \$2.50 (NZ\$2.83) per share to raise \$70,000 (NZ\$79,041);
 - the issue of 40,000 new shares at \$2.50 (NZ\$2.83) per share to raise \$100,000 (NZ\$113,200).
- prior to the Offer each existing KSM share will undertake a 15:1 share split;
- the issue of 40,000,000 new shares at \$0.20 per share to raise \$8,000,000 (NZ\$8,989,440);
- expenses associated with the offer are estimated to be \$663,000 (NZ\$745,000) with \$633,000 (NZ\$711,290) being charged against share capital (\$443,100 (NZ\$497,903) net of tax) and \$30,000 (NZ\$33,710) against retained earnings.

Adjustments not included in the pro forma balance sheet

Cash received and shares issued in respect of the exercise of options issued have not been included in the pro forma balance sheet as it is anticipated these options will be exercised at a date subsequent to listing.

10.6 Consolidated cash flow statement

The audited consolidated cash flow statement for the year ended 31 March 2006 and the 7 month period ended 31 October 2006 is set out below.

	Audited year ended 31 March	Unaudited year ended 31 March	Audited 7 month period ended 31 October	Unaudited 7 month period ended 31 October
	2006	2006	2006	2006
	NZD	AUD	NZD	AUD
Cash flows from operating activities				
Payments to suppliers and employees	(326,537)	(308,025)	(450,248)	(370,982)
Dividends received	-	-	310	262
Interest received	3,705	3,656	15,439	13,556
Net cash used in operating activities	(322,832)	(304,369)	(434,499)	(357,164)
Cash flows from investing activities				
Purchase of plant and equipment	(3,520)	(3,132)	(123,484)	(93,755)
Purchase of intangible assets	-	-	(587)	(445)
Payments for exploration and development expenditure	-	-	(635,725)	(548,339)
Net cash used in investing activities	(3,520)	(3,132)	(759,796)	(642,539)
Cash flows from financing activities				
Proceeds from the issue of shares	744,367	663,437	1,012,843	818,965
Net cash provided by financing activities	744,367	663,437	1,012,843	818,965
Net increase/(decrease) in cash held	418,015	355,936	(181,452)	(180,738)
Cash at the beginning of the financial period	149,288	137,117	567,303	485,674
Effect of exchange rates on cash holdings in foreign currencies	-	(7,379)	(9,502)	19,680
Cash at the end of the financial period	567,303	485,674	376,349	324,616

Note 1 – Statement of significant accounting policies

The Financial Information included in this Prospectus has been extracted from the consolidated financial statements of the Group which have been prepared in accordance with the requirements of the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. The consolidated financial statements of the Group comply with NZIFRS interpretations and other applicable financial reporting standards. In complying with NZIFRS they are also in compliance with International Financial Reporting Standards but do not include all of the disclosure requirements of Generally Accepted Accounting Practices in New Zealand. In the view of the Directors of the Company, the omitted disclosures would provide no further relevant information to potential investors. The measurement base adopted is that of historical cost denominated in New Zealand dollars.

(b) Going concern

Notwithstanding the Group has incurred losses and cash outflows from operations the financial statements of the Group have been prepared on a going concern basis. The Directors anticipate that the Group, as an exploration entity, will be required to raise additional capital in the future in order to ensure that current projects remain feasible and to continue as a going concern.

(c) Consolidation

The Financial Information Section consolidates the financial statements of the parent company and its subsidiaries, collectively referred to as the Group.

Subsidiaries

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Company. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of the cost of acquisition over the fair value of the Company's share of the identifiable net assets required is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

(d) Revenue recognition

Interest income

Interest income is recognised on an accruals basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Financial instruments

Financial instruments carried on the balance sheet include cash balances, other receivables and accounts payable. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

(f) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Any directly attributable borrowing costs are expensed as incurred.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- plant and equipment 3–5 years;
- office furniture and equipment 3–12 years; and
- motor vehicles 3–8 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The estimated costs of dismantling and removing an asset and restoring the site are included in the cost of the asset as at the date the obligation first arises and to the extent that it is first recognised as a provision.

The provision is reviewed at each balance sheet date and the liability is measured at the amount required to settle the present obligation at the reporting date, discounted where material.

Where there is a change in the expected decommissioning and restoration costs, an adjustment is recorded against the carrying value of the provision and any related asset, and the effect is then recognised in the income statement on a prospective basis over the remaining life of the operation.

(g) Intangible assets

Licences

Licences are shown at historical cost. Licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of licences over their estimated useful lives.

Software

Software is shown at historical cost. Software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of software over its estimated useful life.

(h) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("Cash Generating Units").

(i) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

Transactions and balances

Foreign currency transactions are initially translated to New Zealand dollars at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Transaction differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Transaction differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(i) Foreign currency translation (continued)*Group companies*

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(j) Goods and Services Tax ("GST")

All revenue and expense transactions are recorded net of GST. When applicable, all assets and liabilities have been stated net of GST with the exception of receivables and payables which are stated inclusive of GST.

(k) Other receivables

Other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

(l) Exploration and evaluation expenditure

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Each area of interest is limited to an individual geographical area which is related to a known or probable mineral resource and is considered to constitute a favourable environment for the presence of mineral deposits. Exploration, evaluation and development costs related to areas of interest are carried forward to the extent that:

- rights to tenure of areas of interest are current; and
- such costs are expected to be recouped through successful development and production of the area or, alternatively at sale; or
- exploration and/or evaluation activities in the area of interest have not reached a stage which permits reasonable assessment of the existence or otherwise of economically recoverable resources and active and significant operations in, or in relation to, the areas are continuing.

In the event that an area of interest is abandoned the accumulated expenditure is written off in the year that the assessment/abandonment occurs. In addition, where the Directors consider the expenditure may not be recoverable under the above policy, provision is made against the exploration expenditure. The increase in the provision is charged against the results for the year.

Expenditure is not carried forward in respect of any area unless the Group's rights of tenure to that area of interest are current.

(m) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options or for the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

(n) Income tax

Deferred tax

Deferred income tax is provided in full using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

(o) Employee benefits

Current employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date, are recognised in other payables, in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and is measured at the rates paid or payable.

Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statements, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company and Group recognises termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to their present value.

Profit-sharing and bonus plans

The Company and Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(p) Provisions

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Group has a present 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 has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(q) Accounts payable

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

(r) Cash

Cash includes bank bills, cash on hand and at bank and short term deposits less any bank overdrafts which are shown as borrowings in current liabilities on the balance sheet.

(s) Cash flow statement

Operating cash flows represent cash received from customers and paid to suppliers and employees, including production operating expenses.

Investment cash flows represent cash flows arising from the acquisition and disposal of productive assets.

Financing cash flows represent cash flows arising from cash transactions affecting the capital structure of the Company and Group and cash flows from debt financing activities (excluding interest on debt finance, which is included in operating cash flows).

(t) Changes in accounting estimates

The depreciation in the 7 month period ended 31 October 2006 changed from 5 years to 10 years for some plant and equipment in line with Chinese standards. The impact of extending the depreciation rate has been to reduce exploration expenditure by \$218.

	Unaudited pro forma as at 31 October 2006 NZD	Unaudited pro forma as at 31 October 2006 AUD

Note 2 – Cash assets

The pro forma consolidated cash position has been calculated as follows:

Closing cash position as at 31 October 2006	376,349	324,616
Proceeds from shares issued subsequent to 31 October 2006	479,341	421,963
Proceeds from the Offer	8,989,440	8,000,000
Costs incurred in connection with the Offer (post 31 October 2006)	(745,000)	(663,000)
Pro forma consolidated cash position at 31 October 2006	9,100,130	8,083,579

Note 3 – Exploration and evaluation expenditure

The pro forma consolidated exploration and evaluation expenditure is comprised of:

Deferred geological, geophysical, drilling and other expenditure	714,517	616,299
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	Unaudited pro forma as at 31 October 2006 NZD	Unaudited pro forma as at 31 October 2006 AUD
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Note 4 – Issued capital

The pro forma consolidated issued capital has been calculated as follows:

Issued capital as at 31 October 2006	2,145,977	1,823,862
Shares issued subsequent to 31 October 2006	479,341	421,963
Proceeds from the Offer	8,989,440	8,000,000
Costs associated with the Offer	(711,290)	(633,000)
Pro forma consolidated issued capital at 31 October 2006	10,903,468	9,612,825

	Number of shares
Number of shares at 31 October 2006	2,551,336
Number of shares issued subsequent to 31 October 2006	167,000
Number of shares prior to the share split	2,718,336
15:1 share split	40,775,040
Total number of shares on issue (pre Offer)	40,775,040
Shares issued under the Offer	40,000,000
Pro forma number of shares at 31 October 2006	80,775,040

Share options

On completion of the transaction contemplated in this Prospectus, the following share options will be outstanding:

Name of option holder	Number of shares each option holder is entitled to	Exercise price	Option expiry date
Fu La	1,553,571	\$ 0.30	04 May 2011
Stephen McPhail	1,553,571	\$ 0.30	04 May 2011
Bruce Bell	1,553,571	\$ 0.30	04 May 2011
Chris Castle ¹	350,000	\$ 0.30	04 May 2011
John Quinn ¹	1,000,000	\$ 0.30	04 May 2011
Anna Di	269,286	\$ 0.30	04 May 2011
Cameron Stockbrokers Limited	500,000	\$ 0.25	2 years after date of listing
	6,779,999		

¹ The options held by these individuals are unable to be exercised until two years after the date of listing on the ASX

The shares issued upon exercise of the above options will be held in escrow for a period of 2 years.

The options described above were restructured on 2 February 2007 in accordance with shareholder approval received on that date.

	Unaudited pro forma as at 31 October 2006 NZD	Unaudited pro forma as at 31 October 2006 AUD
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Note 5 – Reserves

The pro forma consolidated reserves are comprised of:

Share option reserve	219,390	185,073
Foreign currency translation reserve	(35,496)	17,496
Pro forma consolidated reserves at 31 October 2006	183,894	202,569

Note 6 – Retained losses

The pro forma consolidated retained loss position has been calculated as follows:

Retained losses as at 31 October 2006	(1,204,619)	(1,055,856)
Costs expensed to the income statement as a consequence of the Offer	(33,710)	(30,000)
Pro forma consolidated retained losses at 31 October 2006	(1,238,329)	(1,085,856)

Note 7 – Expenditure commitments

On 24 August 2006 the Group purchased 2 exploration licenses for a total cost of RMB750,000. On settlement the Group paid RMB500,000 and will pay the remaining RMB250,000 when the exploration licenses are transferred to the Group.

Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature or amount of future expenditure. It will be necessary for the Group to incur expenditure in order to retain present interests in exploration projects. The timing and amounts of exploration expenditure commitments of the Group may vary significantly based upon the results of work performed by the Group and joint venture partners, which will determine the prospectivity of the relevant area of interest.

The Group has entered into three non-cancellable operating leases. The lease commitments are set out below:

	Audited as at 31 October 2006 NZD	Unaudited as at 31 October 2006 AUD
Not later than one year	47,566	41,028
Later than one year and not greater than two years	24,842	21,427
	72,408	62,455

Note 8 – Contingent liabilities

There are no contingent liabilities for the Group.

Investment Risks

Introduction

The Company is a mineral exploration company with a primary focus on copper and gold in Inner Mongolia, China. Due to the nature of the Company's business activities and mineral exploration interests, investment in the Company carries with it risks reasonably expected of an investment in a business of this type. Accordingly, **the Shares offered by this Prospectus should be considered speculative.** Potential investors should examine the full contents of this Prospectus and consult their stockbroker, solicitor, accountant, financial or other professional advisor before deciding whether to take up Shares offered under this Prospectus.

Environmental

The Company's activities are subject to the environmental laws and regulations of China. As its exploration projects will have an impact on the environment, the Company intends to conduct its activities with the highest level of environmental awareness in order to minimise damage to the environment and risk of liability.

Title Risks

Mining and exploration tenements are subject to periodic renewal. In particular, the TKE Exploration Licences and the AMX Exploration Licences are due for renewal as set out in the China Title Opinion in section 8 of this Prospectus. There is no guarantee that the applications for transfer or renewal of exploration tenements to Plate or applications for future tenements or future applications for production tenements will be approved. Renewal and transfer conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

A failure to adhere to the requirements for the expenditure in the tenements in which the Company has a contractual interest will, unless an exemption is granted or waiver provided, render the Company liable to remit possible forfeiture of exploration licences.

It is common practice that permits and licences may be renewed or transferred into other forms of licences appropriate for the ongoing operation. No guarantee can be given that a renewal or a transfer will be granted to Plate or, if they are granted, Plate

will be in a position to comply with all conditions that are imposed.

The Directors believe that Plate's exploration activities are currently carried out in accordance with all applicable rules and regulations. However there are no assurances that the existing or future rules and regulations will not be applied in a manner which could limit or curtail exploration, production or development.

There is no certainty:

- (a) that any permits or licences will be transferred or granted to Plate;
- (b) that any permit or licences transferred or granted to Plate will not be surrendered or forfeited;
- (c) that Plate will be able to conduct operations in China in the manner contemplated by the Company or at all; or
- (d) that the Company will continue to participate in Plate or derive any benefit from Plate.

The AMX Exploration Licences and the TKE Exploration Licences are not yet held by Plate. As set out above, the transfer of those exploration licences to Plate are subject to governmental approval. There is no certainty that such approval may not be withheld.

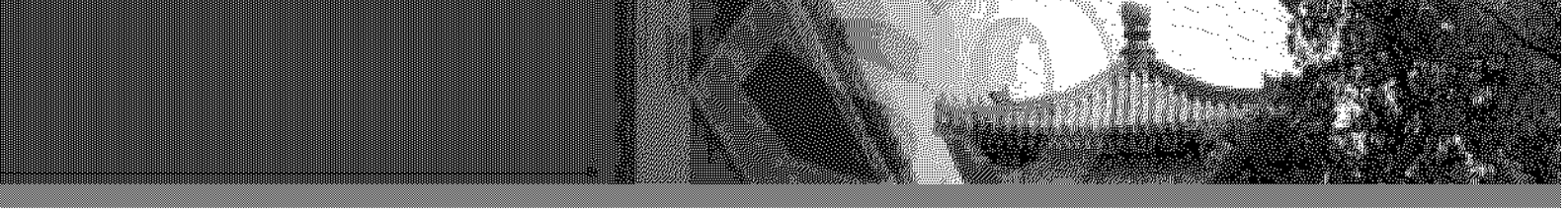
The Huhhot Development and Reform Commission provided a formal Sino-foreign investment approval with a business scope defined as non-ferrous minerals exploration. Plate has operated under this scope definition pending approval by Administration of Industry and Commerce department of Huhhot. Plate will not be granted a definitive business scope for its business licence until the AMX exploration licences have been transferred. There is no certainty that such approval may not be withheld.

Land Access

Before conducting any substantive ground-based exploration programme it is necessary to obtain land access agreements from the landowner, the Chinese government. MOLAR is the relevant department in relation to obtaining land access, and is also responsible for consulting with any land occupiers.

Exploration

The mineral tenements in which the Company has an interest are at various stages of early exploration, and potential investors should understand that mineral exploration and development are high risk undertakings. There is no assurance that exploration of the tenements described in the Prospectus, or any



other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit.

Operating Risks

Any exploration, mining, production and processing operations that the Company decides to undertake may be affected by factors including:

- Failure to achieve predicted grades in exploration and mining;
- Operational and technical difficulties encountered in mining, commissioning and operating plant and equipment;
- Mechanical failure or plant breakdown;
- Unanticipated metallurgical problems which may affect extraction costs;
- Adverse weather conditions;
- Industrial and environmental accidents;
- Industrial disputes;
- Unexpected shortages or increases in the costs of consumables, spare parts, and plant equipment; and
- Availability of suitable plant and expertise from consultants and contractors.

Sovereign Risk

China's economy differs from the economies of most developed countries in many respects, including government intervention; level of development; growth rate; control of foreign exchange; and allocation of resources.

State ownership

Although in recent years the Chinese government has implemented economic reforms and reduced state ownership, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government plays a significant role in regulating industry and exercises significant control over China's economic growth through the allocation of resources, control of foreign currency denominated obligations and setting monetary policy.

The Company's future earnings could be affected if the Chinese government were to reverse recent trends and impose restrictions on the Company's business.

Government intervention

The Company's operating results and financial position may be adversely affected by: changes in the rate or method of taxation; imposition of additional restrictions on currency conversion and remittances abroad; reduction in tariff or quota protection and other import restrictions; changes in the usage and costs of state controlled transportation and electricity services; and, state policies affecting the mining industry.

Foreign investment

Despite the Chinese government opening up opportunities for foreign investment in mining projects, if the Chinese government were to reverse

this trend and impose greater restrictions on foreign companies, the Company's business and future earnings could be negatively affected.

Gold sales

All gold producers operating in China are required to sell their gold to the People's Bank of China or an approved refinery in China at a variable published price. While the published price has recently matched the international price, there can be no certainty that will continue.

Developing legal system

The Chinese legal system is a system based on written statutes and their interpretation by the Supreme People's Court. Prior court decisions may be cited for reference but have limited precedential value. Their interpretation or their enforcement or changes to the law may have a material adverse effect on the Company's business operations. There is no guarantee the Company would be successful in seeking to enforce its rights under any agreement.

Approval process

Nearly all projects require governmental approval. There can be no certainty that any further approvals required by Plate will be granted in a timely manner, or at all.

Future Capital Requirements

The Company will be required to raise additional capital to finance its future activities. There can be no assurance that the Company will be able to raise that capital (whether in the form of debt and/or equity) on acceptable terms or in a timely manner. If the Company cannot obtain such additional capital, the Company may be required to reduce the scope of its activities, which could adversely affect its business, operating results and financial condition.

Commodity and Currency Price Volatility

Commodity prices are subject to influencing factors beyond the control of the Company. The demand for, and price of, minerals is highly dependent on a variety of factors including international supply and demand, the level of consumer product demand, actions taken by the governments and major mining corporations and global economic and political developments.

The Company's activities will involve transactions in various currencies. Any significant and/or sustained fluctuation in exchange rates could have a materially adverse effect on the Company's operations and its financial position.

Reliance on Key Personnel

The Company relies to a significant extent upon the experience and expertise of key personnel in New Zealand and China. To manage its growth, the Company must attract and retain additional highly qualified management and technical personnel.

12 Additional Information

12.1 Incorporation and Registration as Foreign Company

The Company was incorporated in New Zealand on 28 January 2003 as King Solomon Mines Limited (Company Number 1268538) and is subject to the applicable laws of New Zealand. On 20 December 2006, the Company was registered as a foreign company carrying on business in Australia under Part 5B.2 of the Corporations Act and given ARBN 122 404 666.

The Company has the following subsidiaries:

- (a) King Solomon Sonid Limited; and
- (b) Gold Exploration Services China Limited.

King Solomon Sonid Limited and Gold Exploration Services China Limited are dormant and have not traded.

The Company also has a 90 per cent interest in Plate, a sino-foreign equity joint venture enterprise in the Inner Mongolia Autonomous Region, PRC. The other 10 per cent of Plate is owned by a company controlled by director, Fu La. Plate has contractual rights to acquire the exploration licences which are the subject of the Independent Geologist's Report in section 7 of this Prospectus.

12.2 Share Capital

(a) History of Shares

As at the date of this Prospectus, the Company has 40,775,040 Shares on issue. On 1 February 2007 the Company conducted a 15 for 1 share split. For ease of reference the numbers of Shares and Options and their issue prices referred to in this Prospectus have been calculated as though the 15 for 1 Share split had occurred upon the incorporation of the Company.

Since incorporation, the Company has issued Shares as follows:

- On 28 January 2003, 7,500,000 Shares for nil cash consideration to Directors or to the trustees of trusts of which Directors were trustees and beneficiaries.
- On 31 March 2003, 6,254,985 Shares issued at \$0.017 per Share to a related party and seed capitalists.
- On 5 May 2004, 7,500,000 Shares for nil cash consideration to a Director.

- On 13 August 2004, 1,630,005 Shares issued at \$0.058 per Share to seed capitalists.
- On 6 December 2004, 450,000 Shares issued at \$0.058 per Share to seed capitalists.
- On 5 April 2005, 1,967,505 Shares issued at \$0.070 per Share to seed capitalists.
- On 24 November 2005, 1,874,370 Shares issued at \$0.047 per Share to a Director, related party and seed capitalists.
- On 21 March 2006, 5,100,000 Shares issued at \$0.105 per Share to a Director, a related party and seed capitalists.
- On 31 July 2006, 1,223,175 Shares issued at \$0.147 per Share to seed capitalists.
- On 31 July 2006, 4,770,000 Shares issued at \$0.146 per Share to a Director, a related party and seed capitalists.
- On 22 December 2006, 1,485,000 Shares issued at \$0.169 per Share to a Director, a related party and seed capitalists.
- On 22 December 2006, 420,000 Shares with an issue price of \$0.166 per Share were issued to seed capitalists.
- On 19 January 2007, 600,000 Shares with an issue price of \$0.166 per Share were issued to seed capitalists.

(b) Contractual rights to be issued new Shares

As at the date of this Prospectus, the Company has granted, for nil cash consideration, rights to Directors (and an employee) and Cameron Stockbrokers Limited to be issued a total of 6,779,999 Shares (as adjusted following the 15 for 1 Share split on 1 February 2007), as follows:

- On 4 May 2006, Bruce Bell (Director) was granted the right to be issued 1,553,571 new Shares exercisable at \$0.30 per Share.
- On 4 May 2006, Stephen McPhail (Director) was granted the right to be issued 1,553,571 new Shares exercisable at \$0.30 per Share.
- On 31 May 2006, Anna Di (employee of the Company and daughter of Fu La) was granted the right to be issued 269,286 new Shares exercisable at \$0.30 per Share.
- On 7 June 2006, Fu La (Director) was granted the right to be issued 1,553,571 new Shares exercisable at \$0.30 per Share.
- On 2 February 2007 Christopher Castle (Director) was granted the right to be issued 350,000 new Shares exercisable at \$0.30 per Share.

- On 2 February 2007 John Quinn (Non-Executive Chairman) was granted the right to be issued 1,000,000 new Shares exercisable at \$0.30 per Share.
- On 2 February 2007 Cameron Stockbrokers Limited was granted, in consideration of acting as sponsoring broker, the right to be issued 500,000 new Shares exercisable at \$0.25 per Share.

(c) Terms of the contractual rights to be issued new Shares

The rights described in section 12.2(b) of this Prospectus are subject to the Company's admission to the Official List of the ASX, the Shares being listed for quotation on that Official List by 31 March 2007 and to the following terms:

- The issue price is payable in full on exercise of the rights;
- Each right is exercisable:
 - in the case of Stephen McPhail, Alan Bell and Fu La: at any time up to 4 May 2011 provided that the person who was granted the rights is still a Director or full time employee of the Company or a wholly owned subsidiary of the Company;
 - in the case of Christopher Castle and John Quinn: at any time from 2 years after the date the Shares are first listed for quotation on the Official List of ASX up to 4 May 2011 provided that the person who was granted the rights is still a Director of the Company or a wholly owned subsidiary of the Company;
 - in the case of Anna Di, a full time employee of the Company: at any time up to 4 May 2011 provided that she is still a full time employee of the Company or a wholly owned subsidiary of the Company; or
 - in the case of Cameron Stockbrokers Limited: at any time within 2 years of the date the Shares are first listed for quotation on the Official List of ASX.
- The rights are not transferable except upon the death of the rights holder (other than those held by Cameron Stockbrokers Limited which are not transferable);
- The rights may only be exercised in respect of all of the Shares;
- The Shares to be issued may be issued to a trustee of a trust for the benefit of the Grantee or to a company controlled by the trustee or the rights holder (other than for Cameron Stockbrokers Limited).
- A person who has been granted the rights cannot participate in new issues of securities in the Company without exercising their rights; and

- The number of Shares to be issued will be varied to take into account any bonus issues, consolidation or subdivision of Shares after the rights were granted, but before they are exercised.

12.3 Rights and Liabilities Attaching to Shares

The Shares issued pursuant to the Offer will rank equally in all respects with existing Shares. The following is a summary of the Company's Constitution in relation to rights attaching to Shares and other provisions that may affect Shareholders. It does not purport to constitute an exhaustive or definitive statement of the rights and liabilities of the Shareholders. Investors are accordingly encouraged to inspect the Constitution.

The rights and liabilities attaching to the Shares are also regulated by the New Zealand Companies Act 1993 ("Companies Act"), New Zealand common law and the ASX Listing Rules.

(a) Meetings of Shareholders

Each Shareholder is entitled to receive a written notice of, and attend and vote at, general meetings of the Company and to receive all notices, reports and financial statements required to be sent to Shareholders under the Constitution, the Companies Act and the Listing Rules.

A Shareholder may give written notice to the Board of Directors of a matter which the Shareholder proposes to raise for discussion or resolution.

The minimum number of people for a meeting of Shareholders is five, present in person or by representative (which includes a proxy holder). Minutes must be kept of all meetings of Shareholders.

(b) Voting Rights

At a general meeting, subject to any special privileges or restrictions as to voting for the time being attached to any special class of Shares, on a show of hands or by voice (as determined by the Chairperson) every member present in person or by representative has one vote.

The Chairperson, five or more Shareholders with voting rights or a Shareholder or Shareholders who represent 10% or more of the total voting rights have the power to demand that a poll be taken.

Shareholders have the right to appoint a representative or proxy to attend the meeting by completing the proxy form accompanying the notice of meeting and returning it to the place specified on the notice not later than 48 hours before the meeting.

On a poll, each member present in person or by representative will have one vote for every fully

paid Share which that member holds or represents, and, in respect of a Share which is not fully paid, a fraction of the vote or votes which would be exercisable if a Share was fully paid.

No Shareholder is entitled to vote at any meeting in respect of Shares on which any call or other moneys are due and unpaid.

The Chairperson of the Shareholders' meeting is entitled to a casting vote.

(c) Issue of Further Shares

Subject to the Companies Act, the Listing Rules and any special rights previously conferred on the holders of any existing Shares or classes of Shares, the Directors may issue Shares at any time without the prior approval of the Company in a general meeting, to any persons on such terms and conditions and at such time as the Directors may think fit.

Any Shares may be issued in such denomination or with such deferred, preferred or special rights or restrictions whether as to voting rights or distributions or otherwise as the Directors may think fit.

(d) Share Buybacks

The Company may purchase or acquire Shares in itself from Shareholders, and may redeem any redeemable Shares.

(e) Dividends

Dividends and other distributions will be payable to the persons who are the registered holders of those Shares on an entitlement date fixed by the Board.

12.4 Directors

(a) Number of Directors

Subject to the Companies Act, general law and the Listing Rules, the number of Directors shall be not more than seven and not less than three.

(b) Appointment and Removal of Directors

The shareholders may appoint and remove a Director by ordinary resolution. The Board of Directors may appoint additional Directors (up to the maximum number of Directors) and any Director may appoint an alternate director by notice to the Company.

The Listing Rules require that the Company hold an election of Directors by ordinary resolution each year. The Directors, other than a managing director, must not hold office (without re-election) past the third annual general meeting following the Director's appointment or three years, whichever is longer. However, a Director appointed by the Board to fill a casual vacancy or as an addition to the board must not hold office (without re-election) past the next annual general meeting.

Under the Constitution, a Director ceases to hold office if the Director becomes bankrupt, becomes disqualified from being a Director, resigns, is removed, or has been absent without permission from the Board of Directors for a period longer than six months.

(c) Interested Directors

Directors who are interested in a transaction have the same voting rights and general powers and rights of a Director as though they were not interested in the transaction.

(d) Indemnity for Directors

Under the Constitution, every Director is indemnified by the Company for any costs in relation to a liability for an act or omission in his or her capacity as a Director provided that judgment is entered in his or her favour, there is an acquittal or the matter is discontinued (section 162(3) of the **Companies Act**). Under the Constitution, Directors are also indemnified by the Company for any liability to third persons or costs incurred in defending or settling a claim, provided the claim is not related to criminal liability or the breach of the Director's duty to act in good faith and to act in the best interests of the Company (section 162(4) of the **Companies Act**).

12.5 Winding Up

Upon liquidation of the Company, the surplus assets of the Company must be distributed among the Shareholders in proportion to their shareholding.

With the approval of the Shareholders of the Company by ordinary resolution, the liquidator of the Company may divide amongst the Shareholders in kind the whole or any part of the surplus assets of the Company.

With the approval of the Shareholders of the Company by ordinary resolution, the liquidator may vest the whole or any part of any surplus assets of the Company in trustees to be held upon trust for the benefit of the Shareholders of the Company.

12.6 Constitution

The full rights and liabilities attaching to ownership of the Shares are detailed in the Constitution of the Company, which may be inspected during business hours at the registered office of the Company.

12.7 Compliance with ASX Listing Rules

The Constitution incorporates Appendix 15A of the Listing Rules. Accordingly, if the Company is admitted to the Official List, the following applies:

(a) Notwithstanding anything contained in the Constitution, if the Listing Rules prohibit an act being done, the act shall not be done;

- (b) nothing contained in the Constitution prevents an act being done that the Listing Rules require to be done;
- (c) if the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be);
- (d) if the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision;
- (e) if the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision; and
- (f) if any provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

12.8 Corporate Governance

The Directors are committed to the principles underpinning best practice in corporate governance. Once the Company is listed on the ASX, it will move to adopt corporate governance policies and practice. These policies will be based on the recommendations of ASX Corporate Governance Council and the Australian Institute of Company Directors, having regard to the size of the Company and the nature of its operations.

12.9 Directors and Key Management

(a) Executive Directors

The following is a list of executive directors and their roles and remuneration.

(i) Alan Bruce Bell

Alan Bruce Bell is an executive director of the Company and has held this position since 28 January 2003. He is engaged via a deed of services as independent contractor between the Company and a company in which he is a director and shareholder, Selwyn Management Limited ("SML").

His remuneration is effectively \$150,000 per annum plus GST, renegotiable yearly. SML will be reimbursed for pre-approved disbursements. No additional amount is payable for Alan Bell acting as a director of the Company.

Under the agreement Alan Bell is required to work for a minimum of thirty hours per week for forty-six weeks per year. Specifically, he is to provide exploration management services to the Company including growing the Company's mineral exploration business in Inner Mongolia, China.

The agreement begins on the day the Company is admitted to the Official List of the ASX and will

be for an initial term of three years, thereafter continuing indefinitely from year to year unless either party gives notice of termination.

If the Company is of the reasonable opinion that Alan Bell is not satisfactorily performing his obligations, the Company may give SML notice and if SML cannot rectify or improve SML's or Alan Bell's performance to the Company's satisfaction after 30 days the Company may give written notice of the termination of the agreement. Alternatively the Company has the right to terminate the agreement at any time by giving 3 months written notice. The Company can terminate the agreement at any time by giving written notice and paying the greater of:

- (A) the amount SML would have received in the next twelve months; and
- (B) in the event 6 months or less remains of the current agreement, the amount SML would have received had the current agreement come to an end after six months;

Either party can also terminate the agreement if the other party:

- (A) is in default of the agreement and hasn't remedied such default within 30 days of being required to do so;
- (B) is insolvent or incapable of paying the party's debts as they become due; or
- (C) has a liquidator or receiver appointed.

Under the agreement, SML and Alan Bell cannot undertake other work of a type which may conflict with the interests of the Company. The Company will have the rights to any intellectual property created or developed by SML and/or Alan Bell in the course of its work for the Company.

SML and Alan Bell have agreed to keep confidential information acquired through their work at the Company. During the term of the agreement and for six months after, SML will not carry on, or have an interest in, any business similar to the business of the Company.

(ii) Stephen McPhail

Stephen McPhail has been the managing director of the Company since 28 January 2003. He is engaged by the Company via a deed of services as independent contractor between the Company and a company called Bodhi Svaha Holdings Limited ("BSHL"), of which he is a director and shareholder. His remuneration is effectively \$180,000 per annum plus GST, renegotiable yearly. BSHL will be reimbursed for pre-approved disbursements. No additional amount is payable for Stephen McPhail acting as a director of the Company.

Under the agreement Stephen McPhail is required to work a minimum of thirty hours per week for forty-six weeks per year as managing director.

In all other aspects, the terms of this agreement are the same as the terms of the agreement between the Company and SML in section 12.9(a)(i) of this Prospectus.

(iii) Fu La

Fu La has been a Director of the Company since 5 May 2004. He is engaged via a deed of services as independent contractor between the Company and AMX a company in which he is a director and shareholder. His remuneration is effectively \$150,000 per annum plus GST, renegotiable yearly. AMX will be reimbursed for pre-approved expenses. No additional amount is payable for Fu La acting as a director of the Company.

Fu La is to provide general management services to the Company including growing the Company's mineral exploration business in Inner Mongolia, China.

In all other aspects, the terms of this agreement are the same as the terms of the agreement between the Company and SML in section 12.9(a)(i) of this Prospectus.

(b) Non-Executive Directors

(i) Christopher Castle

Christopher Castle became a non-executive director of the Company on 31 October 2005. His remuneration is \$35,000 per annum.

(ii) John Charles Quinn

John Charles Quinn is the Non-Executive Chairman of the Company and has held this position since 2 February 2007. His current remuneration is \$65,000 per annum.

(c) Directors' Shareholdings

Shares			
Director	Direct	Beneficial	Technical
Alan Bruce Bell*	3,750,000	Nil	Nil
Stephen James McPhail*	Nil	4,830,000	2,020,560
Fu La*	7,500,000	Nil	Nil
Christopher David Castle*	45,000	Nil	6,453,090
John Charles Quinn*	Nil	Nil	Nil

* Alan Bell has a direct interest in 3,750,000 Shares issued on 28 January 2003 for nil cash consideration.

* Stephen McPhail is a trustee and beneficiary of the Paradise Now Trust ("PNT"). He has a legal and beneficial interest in 4,080,000 Shares (with 3,750,000 Shares issued on 28 January 2003 for nil cash consideration and 330,000 Shares issued on 24 November 2005 at \$0.047 per Share) which he holds as a trustee of PNT. He has a beneficial interest in 750,000 Shares owned by BSHL which is 98% owned by the trustees of PNT. Stephen

McPhail and his wife Olinka Heath each own 1% of BSHL. He is also the sole director of BSHL. Stephen McPhail's technical interest comprises 1,050,000 Shares which he holds as a trustee of the Wilcox Arcadian Trust and 970,560 Shares distributed among, and owned by, four of Stephen McPhail's brothers and his father.

* Fu La has 7,500,000 Shares issued on 5 May 2004 for nil cash consideration.

* Christopher Castle has a direct interest in 45,000 Shares issued on 21 March 2006 at \$0.105 per Share. His technical interest in 6,453,090 Shares relates to the 2,724,750 Shares owned by Widespread Limited and the 3,728,340 Shares in Mineral Investments Limited as Christopher Castle is the managing director of both of these companies, but does not have a controlling shareholding. Widespread Limited and Mineral Investments Limited are wholly owned by Widespread Portfolios Limited.

* John Charles Quinn has no direct, beneficial or technical interest in the Shares of the Company.

The Directors also have been granted rights to be issued new Shares – please see sections 12.2(b) and (c) for further information.

(d) Directors' Interests

Other than as disclosed in this Prospectus, no Director of the Company holds, or has held at any time during the last 2 years, any interest in:

- (i) the formation or promotion of the Company;
- (ii) property acquired or to be acquired by the Company in connection with its formation or promotion of the Offer; or
- (iii) the Offer,

and no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to any Director or proposed Director of the Company either to induce them to become, or to qualify them as, a Director, or otherwise for services rendered by them in connection with the promotion or formation of the Company or the Offer. Stephen McPhail has received \$80,560 during the last 2 years for promotion of the Company.

12.10 In-Principle advice from the ASX with respect to escrow arrangements

On 16 January 2007, the ASX provided the Company with in-principle advice in relation to the Company's application for escrow arrangements as follows:

- 15,981,450 Shares will be classified as restricted securities and subject to escrow for 24 months after the date of official quotation of the Offer Shares on the ASX.
- 1,595,842 Shares will be classified as restricted securities and subject to escrow for 12 months after the date of official quotation of the Offer Shares on the ASX.

- The rights to be issued 4,929,999 Shares will be classified as restricted securities, and subject to escrow for 24 months after the date of official quotation of the Offer Shares on the ASX.

After obtaining the in-principle advice from the ASX, the Company granted the right to be issued 350,000 new Shares to Christopher Castle (Director), the right to be issued 1,000,000 new Shares to John Quinn (Non-Executive Chairman) and the right to be issued 500,000 new Shares to Cameron Stockbrokers Limited (sponsoring broker) in the manner and on the terms described in clauses 12.2(b) and 12.2(c) of this Prospectus, all of which may be subject to ASX imposed escrows in ASX's discretion.

12.11 Material Contracts

The Directors believe that the contracts referred to below are material to the continuing operations of the Company or may otherwise be potentially relevant to investors when making a decision whether to purchase Shares under the Offer.

The information about the material contracts set out below is brief and indicative only and should be read on that basis.

(a) Equity Joint Venture Contract between the Company and AMX for the establishment of Plate dated 8 March 2006

This agreement is governed by the laws of the PRC. The Company has entered into an agreement with AMX to establish a sino-foreign equity joint venture enterprise in Inner Mongolia Autonomous Region, PRC. The term of operation of the joint venture company, Plate, is twenty years, commencing on the issue of its business licence (which was issued on the 15 July 2006 by the Bureau of Industrial and Commercial Administration of Huhhot, Registration No: 000471). The parties have agreed that they will extend the term of the contract to cover the commercial life of any mineral deposit that Plate may acquire or discover. Plate is a limited liability company, with the liability of AMX and the Company being limited to the registered capital they each contributed.

The Huhhot Development and Reform Commission provided a formal Sino-foreign investment approval with a business scope defined as non-ferrous minerals exploration. Plate has operated under this scope definition pending approval by Administration of Industry and Commerce department of Huhhot. Plate will not be granted a definitive business scope for its business licence until the AMX exploration licences have been transferred. A definitive business scope is required so that Plate will be permitted to conduct business in accordance with the business scope set

out in the business licence. The Directors expect to obtain a definitive business scope this calendar year and do not expect the activities of Plate to be adversely affected in the interim.

The purpose and scope of Plate is to conduct exploration, mining and processing in accordance with relevant state laws and regulations.

Plate's registered capital is RMB3,000,000 (approximately \$490,000). This had been paid in full by the Company by 8 September 2006. The Company assumes liability for all such costs. The issue and transfer of registered capital is subject to governmental approval and to pre-emptive rights between the parties.

AMX agree to complete, as soon as permitted by applicable laws, all legal procedures for the transfer to Plate of the exploration rights ("AMX Exploration Licences"):

- (i) Exploration Licence Number 1525000630284;
- (ii) Exploration Licence Number 1525000630285;
- (iii) Exploration Licence Number 1525000630286;
- and
- (iv) Exploration Licence Number 1525000630287.

The parties have given standard mutual warranties and representations to each other. AMX further warrants that it lawfully obtained the AMX Exploration Licences, that they are in good standing, and that AMX has fulfilled all legal obligations to transfer the AMX Exploration Licences to Plate. AMX indemnifies the Company for loss arising out of activities in the AMX Exploration Licences prior to the date they are transferred to Plate.

In addition, if the AMX Exploration Licences cannot be transferred, AMX agrees not to transfer them to a third party, and if required by Plate, to lease them to Plate for nominal consideration or to apply for the cancellation of the AMX Exploration Licences so that Plate can apply for exploration licences for the same areas.

Plate has three directors – one appointed by AMX (Fu La), and two appointed by the Company (Stephen McPhail and Bruce Bell).

The Board must unanimously pass resolutions to amend Plate's Articles of Association, suspend or dissolve Plate, increase or reduce Plate's registered capital and merge or divide Plate. All other Board resolutions may be by simple majority.

In the event minerals with extraction value are discovered, Plate will have the pre-emptive right to obtain mining rights. The Company and AMX are required to cooperate closely and use their best endeavours to ensure that Plate is able to exercise its right to extract minerals recovered. The Company has the right to have AMX and the Company jointly establish a mining joint venture enterprise to extract such minerals on the terms of this agreement.

- The agreement can be terminated by either party:
- (i) with 30 days written notice if the board of directors of Plate determines;
 - (ii) with 30 days written notice if for reasons of force majeure (events that occur which are unforeseeable at the time the agreement was signed, the occurrence and consequences of which cannot be avoided or overcome);
 - (iii) if economic benefits of either party are adversely and materially affected by the promulgation of any new laws or regulations of China or the amendment or interpretation of any existing laws;
 - (iv) immediately upon written notice if the other party fails to contribute to registered capital;
 - (v) immediately upon written notice if the other party materially breaches the agreement, which is unremedied within 60 days of written notice of the breach; and
 - (vi) immediately upon written notice if a party is adjudged bankrupt, or enters bankruptcy, dissolution, or liquidation procedures, or lacks the ability to pay debts as they become due.

(b) Deed of Trust and Guaranty between the Company, AMX and Fu La with respect to the 10 per cent equity interest held by AMX in Plate dated 16 August 2006

Investors should note that although the Deed is expressed to be subject to the laws of New Zealand, the Company believes that the Deed is not binding under the laws of the PRC and would not be enforceable there.

AMX holds its 10 per cent equity interest ("Equity Interest") in Plate as bare trustee on trust for the Company. AMX must act in accordance with the Company's directions. Specifically, AMX must do the following:

- (i) exercise its voting rights in accordance with the Company's directions;
- (ii) hold any Plate distributions on trust for the Company and transfer them to the Company as soon as practicable.
- (iii) not encumber its Equity Interest in Plate except in accordance with the direction of the Company;
- (iv) transfer its Equity Interest in Plate to the Company whenever instructed to do so by the Company.

The Company indemnifies AMX from any liability arising from AMX holding its Equity Interest, having acted in accordance with the Company's instructions (save for a breach of trust by AMX). Fu La personally indemnifies the Company from any risk or liability arising from a breach of the guarantee provided by Fu La.

Fu La guarantees to the Company the performance by AMX of its obligations under this deed.

(c) Agreement between Plate and TKE for the transfer of exploration licences from TKE to Plate dated 28 August 2006

This agreement is governed by the laws of the PRC. Under this agreement TKE has agreed to transfer to Plate Exploration Licence No 1525000630171 and Exploration Licence No 1525000630172 ("TKE Exploration Licences") for RMB750,000 (\$120,000), RMB500,000 (\$80,000) of which was paid on 28 August 2006, with the balance payable on transfer of the TKE Exploration Licences.

TKE warrants that it is the rightful owner of the TKE Exploration Licences and was obliged to deliver on 28 August 2006 documents evidencing TKE's right to transfer the TKE Exploration Licences and a letter authorising Plate to conduct mineral exploration on the TKE Exploration Licences. Subject to governmental approval, TKE permits Plate to enter the TKE Exploration Licences and implement preliminary work.

All credits and debts associated with the TKE Exploration Licences and accrued before the transfer remain the asset or liability of TKE. All risks associated with the two mining areas have now been assumed by Plate and all exploration expenses from 28 August 2006 are to Plate's account. Plate warrants that it will conduct exploration activities in accordance with government regulations.

The transfer of the TKE Exploration Licences cannot be approved by the government authority until two years after the date of issue of the latter of the TKE Exploration Licences, namely 9 August 2007.

(d) Directors' Deed of Indemnity and Right of Access to Documents dated 30 January 2007

This deed is between the Company and any person who, at the date of the deed and during the term of the agreement, is a director of the Company.

The Company indemnifies each Director and keeps them indemnified to the extent permitted by law for any liability arising as a result of acting as Director. The Company also agrees to provide access to Board papers. The Company must maintain insurance cover for each Director against directors and officers liability from the date on which the Director was appointed up to the seventh anniversary of the date on which the Director's appointment as director was terminated.

This deed is governed by the laws of New Zealand.

(e) Agreement with sponsoring broker dated 1 February 2007

The fee for Cameron Stockbrokers Limited ("Cameron") acting as sponsoring broker is the right to be issued 500,000 Shares in the Company, exercisable at a price of \$0.25 per Share (plus any GST, payable in cash). The duration of the rights is two years from the date the Company lists on the ASX and the rights are not transferable.

An issue management fee of 1% plus GST will be due upon the allotment of Shares under the Offer, and a stamping fee of 4% plus GST will be payable to brokers upon any Shares allotted under the Offer.

The Company will pay all out-of-pocket expenses incurred by Cameron, such as travel, accommodation, roadshow preparation and presentation, and any legal fees incurred by Cameron.

The Company indemnifies Cameron against all liability incurred in relation to this Prospectus and the Offer.

12.12 Investing in a New Zealand Company

The following contains a summary of certain New Zealand corporate laws to assist in understanding the regulatory regime to which the Company will be subject. It is an overview only and should not be viewed as an exhaustive statement of all relevant New Zealand laws.

The Company is incorporated in New Zealand and, except to the extent that it is carrying on business in Australia as a registered foreign company, is not generally subject to the Corporations Act. In particular, the Company will not be subject to the provisions of Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with takeovers. Instead, the Company is subject to New Zealand law including the Companies Act 1993, the Financial Reporting Act 1993, the Securities Markets Act 1988 and the Takeovers Code (SR2000/210) approved under the Takeovers Act 1993.

The Companies Act 1993 governs such matters as the obligations and powers of directors, the necessity to obtain shareholder approval for 'major transactions' (being transactions which result in the Company acquiring or disposing of assets or incurring liabilities the value of which is more than half the value of the company's assets) and the issue and buyback of shares by the Company. It also contains detailed provisions relating to such matters as the provision by a New Zealand registered company of financial assistance for the purpose of or in connection with the purchase of shares issued or to be issued by the Company, the

powers of shareholders, including the power of shareholders to require a company to buy back its shares in certain cases and shareholders' enforcement powers. The Companies Act 1993 also contains detailed provisions governing the administration of New Zealand registered companies.

Matters relating to financial reporting by New Zealand registered companies are governed by the Financial Reporting Act 1993 which, in particular, specifies detailed requirements for the preparation of audited annual financial statements by 'reporting entities' to which, following completion of the Offer, the Company will be subject.

The Securities Markets Act 1988 includes rules concerning insider trading in the securities of a 'public issuer' (Part 1) and the disclosure of interests of directors, officers and 'substantial security holders' (being persons with a relevant interest in 5% or more of the voting securities) of a 'public issuer'. Following completion of the Offer, the Company will be a 'public issuer' for the purposes of that Act.

The Takeovers Code regulates the conduct of takeovers of a 'code company' and applies to the Company. In particular, the Takeovers Code requires that, unless it is in reliance on one of the exceptions to the so-called fundamental rule under the Takeovers Code, acquisitions of shares carrying the right to vote which would result in the acquirer holding or controlling more than 20% of the voting rights in a code company (or, in the case of a person already holding or controlling in excess of that 20% threshold, an increased percentage) must either be the subject of a takeover offer that complies with the Code or (in the case of an allotment of new shares) must be approved by resolution of the Company's shareholders. A Code offer, which can be either a full offer or a partial offer, must be made to all holders of voting securities in the code company and must be on the same terms and conditions and provide for the same consideration for all securities belonging to the same class of equity securities under offer. The Takeovers Code also provides compulsory purchase and sale provisions if 90% or more of the voting rights in a code company are acquired (whether by reason of acceptances under a takeover offer or otherwise).

12.13 Application of Australian Corporations Act

As the Company is an entity established outside Australia, it is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with acquisition of Shares (regarding substantial holdings and takeovers).

The Company will give information to the ASX (for release to the market) about ownership of its securities and will:

- (a) tell the market immediately when the Company becomes aware of any person becoming a substantial holder within the meaning of section 671B of the Corporations Act, and disclose any details of the substantial holding of which the Company is aware; and
- (b) tell the market of subsequent changes in the substantial holdings of which the Company becomes aware.

12.14 Advisers

Other than as disclosed in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus has, or has had in the two years prior to the lodgement of the Prospectus, an interest in:

- (a) the formation or promotion of the Company;
 - (b) any property acquired or to be acquired by the Company in connection with its formation or promotion of the Offer; or
 - (c) the Offer;
- and no amounts, whether in cash or Shares or otherwise, have been paid or agreed to be paid, and no-one has given or agreed to give a benefit, to such person for services rendered in connection with the promotion or formation of the Company or the Offer.

The following disclosures of interests and fees are made in relation to the roles of advisors, experts and others involved in connection with the Company and the Offer:

- (a) Pricewaterhouse Coopers (New Zealand) has acted as Auditor to the Company. The Company has paid or agreed to pay Pricewaterhouse Coopers (New Zealand) approximately NZ\$4,500, exclusive of GST, in addition to a service fee and any additional out-of-pocket expenses incurred for the provision of services in connection with this Offer. Should further work be required of Pricewaterhouse Coopers (New Zealand), those services will be paid according to their normal time-based charges.
- (b) SRK Consulting has acted as Independent Geologist to the Company. The Company has paid or agreed to pay SRK Consulting approximately \$53,290.75 for preparing the Independent Geologist's Report which appears in this Prospectus. Should further work be required of SRK Consulting, those services will be paid according to their normal time-based charges.
- (c) Grant Thornton has acted as Investigating Accountant and tax advisor with respect to the

Offer. The Company has paid or agreed to pay Grant Thornton approximately \$27,000 including tax for preparing the Investigating Accountant's Report and Independent Taxation Report which appears in this Prospectus. Should further work be required of Grant Thornton those services will be paid for according to their normal time-based charges.

- (d) Gadens Lawyers has acted as Australian legal advisers for the Offer. The Company has paid or agreed to pay Gadens Lawyers approximately \$40,000 up to the date of the Prospectus for the provision of legal services in connection with the Offer. Should further work be required of Gadens Lawyers which falls outside its agreed scope of work, it will be paid for those services according to their time-based charges.
- (e) Crengle Shreves & Ratner has acted as New Zealand legal advisers to the Company. The Company has paid or agreed to pay Crengle Shreves & Ratner approximately NZ\$30,000 plus GST up to the date of the Prospectus for the provision of legal services in connection with the Offer. Should further work be required of Crengle Shreves & Ratner which falls outside its agreed scope of work, it will be paid for those services according to their time-based charges.
- (f) Morrison & Foerster has acted as legal advisers to the Company. The Company has paid or agreed to pay Morrison & Foerster approximately US\$10,000 up to the date of the Prospectus for the provision of legal services in connection with the Offer.
- (g) Cameron Stockbrokers Limited has acted as sponsoring broker to the Company. On 2 February 2007 the Company issued rights to acquire 500,000 Shares in the Company in favour of Cameron Stockbrokers Limited for \$0.25 per Share for its services as a sponsoring broker as well as an issue management fee equal to 1% of funds raised.
- (h) Haiwen and Partners has also acted as Chinese legal advisers to the Company. The Company has paid or agreed to pay Haiwen and Partners, approximately RMB10,000 (\$1,600) up to the date of the Prospectus for the provision of legal services in connection with the Offer.
- (i) Computershare Investor Services Pty Ltd has acted as administrators of the share register of the Company. The Company has paid or agreed to pay Computer Share approximately \$5,000 up to the date of the Prospectus for the provision of share registry services in connection with the Offer. Should further work be required of Computer Share which falls outside its agreed scope of work, it will be paid for those services according to their time-based charges.
- (m) Oakhill Hamilton Pty. Ltd. has acted as Australian

agent and corporate adviser to the Company. The Company has paid or agreed to pay Oakhill Hamilton approximately \$4,000 up to the date of the Prospectus for the provision of corporate advice in connection with the Offer. Should further work be required of Oakhill Hamilton which falls outside its agreed scope of work, it will be paid for those services according to their time-based charges.

12.15 Advisers' Consents and Disclaimers of Responsibility

- (a) Each of the parties referred to in this section:
 - (i) does not make, or purport to make, any statement in this Prospectus, and is not aware of any statement in this Prospectus which purports to be based on a statement by any of them, other than as specified in this section; and
 - (ii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.
- (b) Each of the following has consented to being named in the Prospectus in the capacity as noted below and has not withdrawn such consent prior to the lodgement of this Prospectus with ASIC:
 - (i) Pricewaterhouse Coopers (New Zealand) as auditor;
 - (ii) SRK Consulting as authors of the Independent Geologist's Report;
 - (iii) Grant Thornton as investigating accountant and tax advisor and authors of the Investigating Accountant's Report and Independent Taxation Report;
 - (iv) Gadens Lawyers as Australian legal advisers to the Offer;
 - (v) Crengle Shreves & Ratner as New Zealand legal advisers;
 - (vi) Morrison & Foerster as legal advisers;
 - (vii) Cameron Stockbrokers Limited as sponsoring broker;
 - (viii) Haiwen and Partners as PRC legal advisers;
 - (ix) Computershare Investor Services Pty Ltd as administrators of the share register; and
 - (x) Oakhill Hamilton as Australian agent and corporate advisers.

There are a number of persons referred to elsewhere in this Prospectus who are not experts and who have not made statements included in this Prospectus nor are there any statements made in this Prospectus on the basis of any statements

made by those persons. These persons did not consent to being named in the Prospectus and did not authorise or cause the issue of the Prospectus.

12.16 Litigation and Claims

As far as the Directors are aware, there is no current or threatened civil litigation, arbitration proceeding or administrative appeal or criminal or governmental prosecution of a material nature in which the Company is directly or indirectly concerned which is likely to have a material adverse impact on the business or financial position of the Company.

12.17 Documents Available for Inspection

Copies of the following documents may be inspected free of charge at the registered office of the Company during normal business hours:

- (a) the Constitution of the Company;
- (b) the consents referred to in section 12.15.

12.18 Expenses of the Offer

The total estimated costs of the Offer (including any applicable GST and reimbursement or out-of-pocket expenses) including advisory, legal, accounting, tax, listing and administrative fees, printing, advertising and other expenses relating to the Offer, are currently estimated to be approximately \$663,000.

Except as set out above or elsewhere in the Prospectus, no sums have been paid or agreed to be paid to any professional adviser or other person in cash, Shares or otherwise by any person in connection with the formation or promotion of the Company.

12.19 Working Capital Statement

The Directors believe that, on completion of the Offer, the Company will have sufficient working capital to carry out its objectives as stated in this Prospectus.

12.20 Dividend policy

The Company does not expect to be in a position to pay dividends in the foreseeable future and as such has not adopted a dividend policy.

12.21 Governing Law

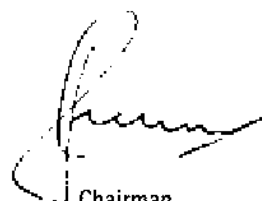
This Prospectus and the contracts that arise from the acceptance of the Applications are governed by the laws applicable in the State of New South Wales and each Applicant submits to the exclusive jurisdiction of the courts of the State of New South Wales other than in respect of offers made in New Zealand. In respect of a dispute concerning the contract for the issue of the Shares arising from offers made in New Zealand, the Company agrees to submit to the non-exclusive jurisdiction of the New Zealand courts.

Authorisation of Prospectus

In the opinion of the Directors, there have not been any circumstances which materially affected, or will affect, the operating or financial performance or value of the Company since the date of the accounts used in the preparation of the Investigating Accountant's Report, except as disclosed in this Prospectus.

Every Director of the Company has consented to the lodgement of this Prospectus with ASIC under the Corporations Act and this Prospectus has been signed by the Chairperson of the Company.

Signed on behalf of King Solomon Mines Limited by:



Chairman
John Quinn

Glossary of Terms

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A glossary of technical terms is at the end of the section "Independent Geologist's Report".

"AMX"	means Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd., a Chinese registered company jointly owned by Fu La and his wife Na Dong.
"Applicant"	means an applicant for Shares who duly completes an Application Form and pays the applicable Application Money.
"Application"	means an application for Shares pursuant to the Offer on an Application Form;
"Application Form"	means the application form accompanying this Prospectus.
"Application Money"	means \$0.20 multiplied by the number of Shares for which an Applicant has applied.
"ASIC"	means Australian Securities and Investments Commission.
"ASX"	means Australian Stock Exchange Limited ABN 98 008 624 691.
"Board"	means the Board of Directors
"BSHL"	means Bodhi Svaha Holdings Limited
"CHESS"	means the ASX's Clearing House Electronic Sub-Register System.
"Closing Date"	means the last date by which Applications will be accepted, which is 5.00 pm EST on 2 April 2007 or such other date and time as the Directors determine.
"Companies Act"	means the Companies Act 1993 (NZ)
"Company"	means King Solomon Mines Limited ARBN 122 404 666 and where the context requires includes its subsidiary companies.
"Constitution"	means the Constitution of the Company.
"Corporations Act"	means the Corporations Act 2001 (Commonwealth)
"Directors"	means directors of King Solomon Mines Limited ARBN 122 404 666.
"Dollars" or "\$"	means dollars in Australian currency.
"EJV"	means Sino-foreign equity joint venture enterprise, an incorporated joint venture
"EST"	means Eastern Standard Time in Australia.
"Existing Shares"	means Shares already allotted and issued as at the date of the Prospectus.
"Existing Shareholders"	means holders of Existing Shares.
"Exposure Period"	means the period of seven days (or longer as ASIC may direct) from the date of the lodgement of the Prospectus with ASIC.
"FIE"	means foreign investment enterprise in China
"FMC"	mean foreign mining company
"Grant Thornton"	means Grant Thornton Corporate (NSW) Pty Ltd and Grant Thornton Services (NSW) Pty Ltd.
"Grantee"	means each person who was issued rights to acquire new shares as described in section 12.2(b)
"Independent Geologist"	means Steffen Robertson and Kirsten (Australasia) Pty Ltd.
"Investigating Accountant"	means Grant Thornton Corporate (NSW) Pty Ltd.
"IPO"	means Initial Public Offering.
"JORC Code"	means Australasian Code for Reporting of Mineral Resources and Ore Reserves.
"King Solomon"	means King Solomon Mines Limited ARBN 122 404 666
"Listing Rules"	means the official listing rules of ASX.

"MOLAR"	means Ministry of Land and Resources in China.
"New Investors"	means Applicants who are allotted Shares under this Offer.
"Offer Shares"	means those Shares that form part of this Offer
"Official List"	means the official list of ASX.
"Official Quotation"	means the quotation of securities on the Official List.
"Opening Date"	means the first date for receipt of completed Application Forms, which is 9.00 am EST on 2 March 2007 or such other date and time as the Directors determine.
"Plate"	means Inner Mongolia Plate Mining Limited, a Chinese equity joint venture enterprise which the Company has a 90% equity interest in.
"PRC"	means the People's Republic of China
"Prospectus"	means this prospectus dated 26 February 2007.
"RMB"	means the Renminbi the currency of the Peoples Republic of China
"Share"	means a fully paid ordinary Share in King Solomon Mines Limited ARBN 122 404 666.
"Share Registry"	means Computershare Investor Services Pty. Limited
"Shareholder"	means any person or company who owns Shares in the Company
"SML"	means Selwyn Management Limited
"SRK"	means Steffen Robertson and Kirsten (Australasia) Pty Ltd.
"TKE"	means Taiyuan Kailijie Electronics Co Limited
"TSX.V"	means Venture Exchange of the Toronto Stock Exchange

ARBN 112 404 666

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This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional adviser without delay. You should read the entire prospectus carefully before completing this form. To meet the requirements of the Corporations Act, this Application Form must not be distributed unless included in, or accompanied by, the prospectus.

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[illegible][illegible]

Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Surname

[illegible][illegible][illegible]

Unit	Street Number	Street Name or PO Box (Other Information)
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[illegible][illegible]

City / Suburb / Town

[illegible]

State

Postcode



Contact Name

[illegible]

Telephone Number - Business Hours / After Hours

()

Holder Identification Number (HIN)

[illegible]

Please note that if you supply a CHESSE HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESSE, your application will be deemed to be made without the CHESSE HIN, and any securities issued as a result of the IPO will be held on the Issuer Sponsored subregister.

G

Amount of cheque



AS

Amount of cheque

AS

By submitting this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and the declarations/statements on the reverse of this Application form and I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate. I/we agree to be bound by the Constitution of the Company. **See back of form for completion guidelines**

See back of form for completion guidelines

LPO



How to complete this form

A Shares Applied for

Enter the number of Shares you wish to apply for. The application must be for a minimum of 10,000 Shares. Applications for greater than 10,000 Shares must be in multiples of 1,000 Shares.

B Application Monies

Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares by the price per Share.

C Applicant Name(s)

Enter the full name you wish to appear on the statement of share holding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D Postal Address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E Contact Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

F CHESS

King Solomon Mines Limited (the Company) will apply to the ASX to participate in CHESS, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESS, the company will operate an electronic CHESS Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together the two Subregisters will make up the Company's principal register of securities. The Company will not be issuing certificates to applicants in respect of Shares allotted. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares allotted to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by the Company and allocated a Securityholder Reference Number (SRN).

G Payment

Make your cheque or bank draft payable to King Solomon Mines Limited Share Offer in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box B.

Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.

Before completing the Application Form the applicant(s) should read this prospectus to which this application relates. By lodging the Application Form, the applicant agrees that this application for Shares in King Solomon Mines Limited is upon and subject to the terms of the prospectus and the Constitution of King Solomon Mines Limited, agrees to take any number of Shares that may be allotted to the Applicant(s) pursuant to the prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5.00pm EST on 2 April 2007. Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited
GPO Box D182
PERTH WA 6840

OR
Computershare Investor Services Pty Limited
Level 2
45 St Georges Terrace
PERTH WA 6000

Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning your application, please contact the Computershare Investor Services Pty Limited on 1300 557 010.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual - Use given name(s) in full, not initials	Mr John Alfred Smith	J A Smith
Joint - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
Company - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
Deceased Estates - Use executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
Minor (a person under the age of 18) - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
Partnerships - Use partners personal name(s) - Do not use the name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
Clubs/Unincorporated Bodies/Business Names - Use office bearer(s) personal name(s) - Do not use the name of the club etc	Mrs Janet Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds - Use the name of trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Corporate Directory

Proposed ASX Code: KSO

Directors

John C. Quinn *(Non-Executive Chairman)*

Stephen J. McPhail *(Managing Director)*

A. Bruce Bell *(Executive Director)*

Fu La *(Executive Director)*

Christopher D. Castle *(Non-Executive Director)*

Registered Office

3 Mutu Road
Paekakariki 5034
New Zealand

Principal Business Office

Unit 31
2 Bishop Dunn Place
East Tamaki 2013
New Zealand

Share Registry

Computershare Investor Services Pty Limited

Level 2, 45 St George's Terrace
Perth WA 6000
GPO Box D182
Perth WA 6840
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

Australian Agent and Corporate Advisor

Oakhill Hamilton Pty Ltd
P.O. Box 324
Crows Nest Sydney NSW 1585

Website

www.kingsolomonmines.com

ARBN

122 404 666

Australian Legal Advisors

Gadens Lawyers

Level 13, Skygarden Building
77 Castlereagh Street
Sydney NSW 2000

China Legal Advisors

Haiwen & Partners

Suite 1711, Beijing Silver Tower
2 Dong San Huan North Road
Beijing 100027
P.R. China

New Zealand Legal Advisors

Crengle Shreves & Ratner

Level 12
Morrison Kent House
105 The Terrace
Wellington 6143
New Zealand

Auditors

PricewaterhouseCoopers

113-119 The Terrace
Wellington
New Zealand

Investigating Accountant

Grant Thornton Corporate (NSW) Pty Ltd

Level 17
383 Kent Street
Sydney NSW 2000

Independent Geologist

SRK Consulting

1064 Hay Street
West Perth WA 6005

King Solomon Mines

Bishop's Gate Business Centre
2 Bishop Dunn Place,
South Auckland
New Zealand