KSO

KING SOLOMON MINES LTD

ARBN 122 404 666

Annual Report 2008

Contents

Chairman's Review

Dear Shareholder,

King Solomon Mines Limited has completed a very active year during which it made important advances in the assessment and understanding of its Inner Mongolian tenements and acquired a further very promising property at Bu Dun Hua.

Geophysical surveys and diamond drilling at the Marmot Ridge exploration licence confirmed and extended the known mineralized intrusive system. Anomalous copper and molybdenum was intersected in numerous holes. In the context of large intrusive systems, our exploration at Marmot Ridge is at a very early stage. Even so, we have every reason to be greatly encouraged by the indicators of what may be a significant mineralized system.

Initial drilling of the secondary copper outcrops at Malachite Ridge in the Wuritu licence failed to intersect significant mineralization in the primary zone. However follow up geophysical and geochemical surveys and more detailed mapping point to the possible existence of an intrusive to the east of the outcropping zone. Such a system could have been the source of the secondary mineralization and will require further assessment and most likely drilling.

Work on the Company's gold prospects is still in its infancy but also shows good cause for optimism. The Beyinhar North area abuts the Beyinhar deposit that was acquired by Sino Gold during the year. Sino are accelerating drilling at Beyinhar and have recently reported impressive gold intersections in the primary zone. Our geologists believe that the Beyinhar mineralization is marginal to another intrusive system. The Company's Beyinhar North tenement hosts a number of outcrops with anomalous gold showings which occupy a similar spatial relationship to this intrusive system. These outcrops are limited and much of the area is subject to sand cover. We need to identify an efficient means of rapid geochemical reconnaissance to advance the evaluation of these areas.

Notwithstanding the increasing and, at times, irrationally competitive environment for mineral properties in China, we were successful in acquiring the Bu Dun Hua licence near the city of Wudan about 300 kms to the east of our base at Sonid Zuoqi. Previous limited work by Chinese Government agencies tested an outcropping vein carrying impressive base metal and gold mineralization and delineated, but did not test, an IP anomaly which may reflect an intrusive system at depth. Intense alteration, stockworking and brecciation all point to a major explosive centre. Work by the Company on this property is getting under way.

Bruce Bell, La Fu and the team in Inner Mongolia have made a very good start to the next stage of the Company's evolution notwithstanding a particularly long and severe winter and growing speculative competition for ground. It should be understood that your Company is targeting major mineral systems in a new mineral district with a view to discovering large resources. This objective is not a task that can be achieved over night. It requires both good science and persistence. I believe that King Solomon Mines has an enviable portfolio of properties and is well placed for an exciting time over the coming field seasons.

Sincerely,

John C Quinn

Chairman

Competent Person

Information in this report which relates to exploration results is based on information compiled by Mr Bruce Bell, a Member of the Australasian Institute of Mining and Metallurgy. He is a director of the Company and a full time employee of Selwyn Management Limited. He has sufficient experience which is relevant to the style of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the December 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and are Reserves (the JORC Code).

Review of Operations

Introduction

The first full year of KSO's life as an ASX-listed entity has been an active one. The company has both expanded its project portfolio and advanced its leading prospects.

Its focus remains on Inner Mongolia and in particular the Sonid Zuoqi district where it continues to pursue its Marmot Ridge Cu-Mo target and its Oyut Cu prospect. It has also delineated a number of new Au targets through its Naogaoshandu and Beyinhar North project areas. Independent confirmation of the potential of this district is provided by the ongoing development of the neighbouring Beyinhar Au project by Sino Gold Ltd. Outside of the Sonid Zuoqi district KSO has established a presence in the highly prospective Chifeng mineral district where its Bu Dun Hua Cu-Au prospect is showing early promise.

Through the 2007 field season (March to November) KSO's exploration team undertook 4,225m of diamond drilling, collected around 2,000 rock lag and soil samples; and completed a mix of reconnaissance and detailed geological mapping over some 130 sq km of prospective ground. In addition, geophysical surveys were completed over approximately 70 sq km. Drilling re-commenced with the opening of the 2008 field season in mid March and mapping, sampling and geophysical survey crews were back on the ground by the end of March. Approximately 6,000m of diamond drilling and 6,000m of RC drilling are anticipated for the 2008 field season.

KSO now has three large scale copper ± molybdenum ± gold exploration targets to focus upon as well as a number of more modest sized gold projects. In its efforts to locate, secure and explore these properties KSO has become well known and well regarded as a bona fide explorer in Inner Mongolia. It has established good working relationships with laboratories, drilling and geophysical contractors, local authorities and land-owners. Such relationships are important and benefit the company in terms of its relationships with government instrumentalities, a pre-requisite for working effectively in this part of China.

Figure 1:
King Solomon
Project Locations

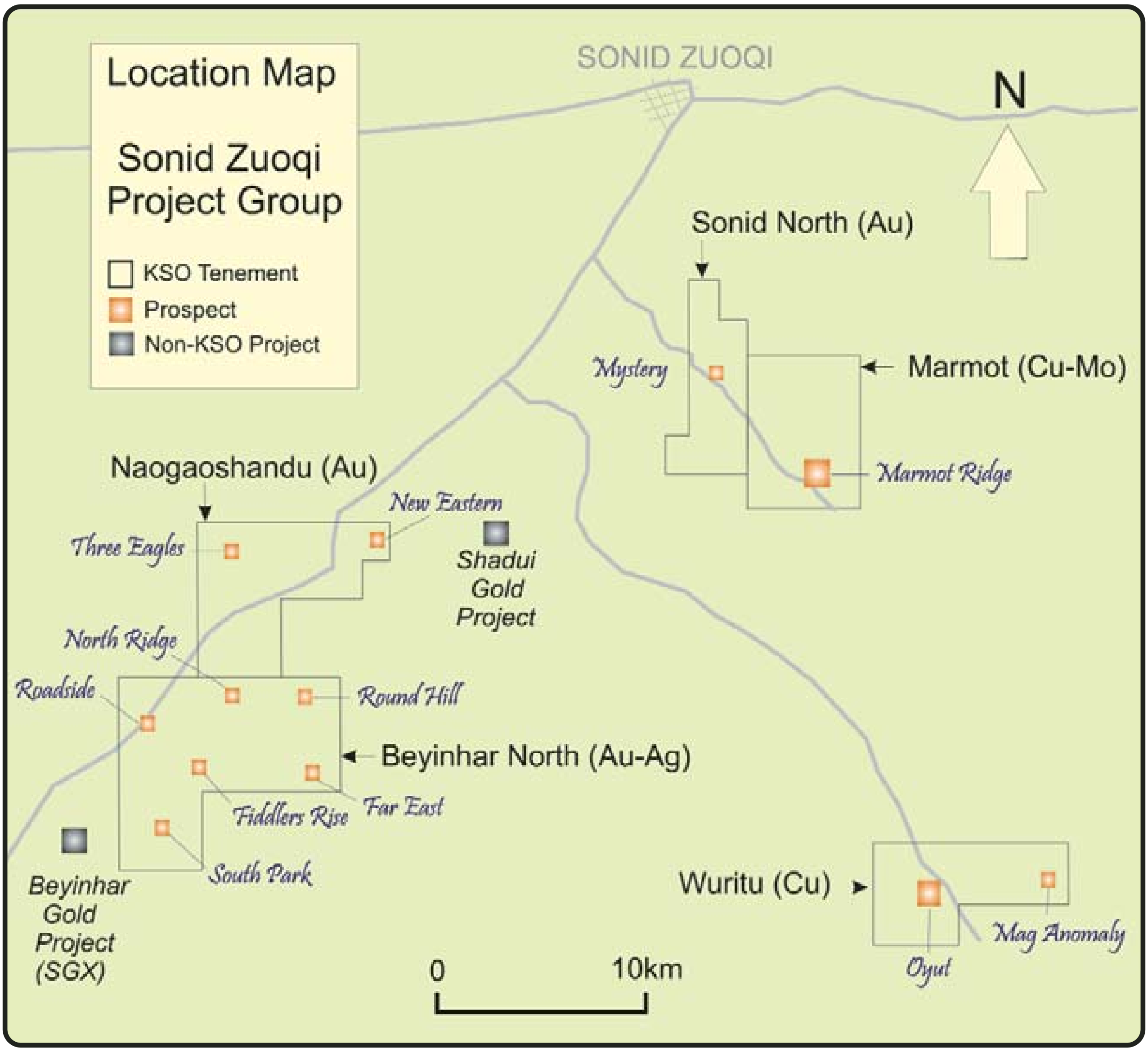


Figure 2: Location Map Sonid Zuoqi Project Group

Marmot Copper – Molybdenum Project

Marmot Ridge, located in the southern part of KSO's 40 sq km Marmot Exploration Licence, remains firmly in the top tier of KSO's project portfolio. It has advanced through 2007-08 from an interesting, large, porphyry-related, Cu-anomalous hydrothermal alteration system, to a substantially larger, zoned, porphyry Cu-Mo system with numerous encouraging drill intercepts.

The 2007 field season at Marmot Ridge commenced with a reconnaissance IP geophysical survey over the 6 sq km zone of hydrothermally altered, mafic to intermediate volcanics mapped in 2006. Two deep, cupola-shaped chargeability anomalies were located. The larger and stronger of the two anomalies lay to the north-east of the area covered by KSO's 2006 drilling campaign and in the vicinity of an east-west trending contact zone separating the volcanics from an undifferentiated granitoid intrusive complex to the north. Diamond drilling commenced in July 2007 and 6 holes (MR017 to MR022) for 2,498m were drilled to intercept the IP target at depths ranging from 250m to 350m below surface. The results were unexpected with two holes (MR018 and MR019) drilled north of the contact zone, each intersecting molybdenite (Mo sulphide) mineralisation in altered granosyenite for over 200m downhole.

Drilling re-commenced with the opening of the 2008 field season and at the time of writing a further 7 holes (MR025-MR031) had been completed as follow-up of the encouraging molybdenite intercepts. While results are not yet available for all of these holes, the presence of a substantial zone containing visible molybdenite mineralisation has been confirmed in all seven holes. The molybdenite occurs as films on fractures, veins and disseminations within altered granosyenite and varies from tens of metre intervals at better than 0.01% Mo to local peaks of between 0.1% Mo and 0.4% Mo over 2m intervals. The zone remains open to the north, east and west and at depth. Results from a soil survey enveloping the 2007-08 drilling area has yielded Mo-in-soil anomalies that suggest continuity of the zone outside of the area drilled to date.

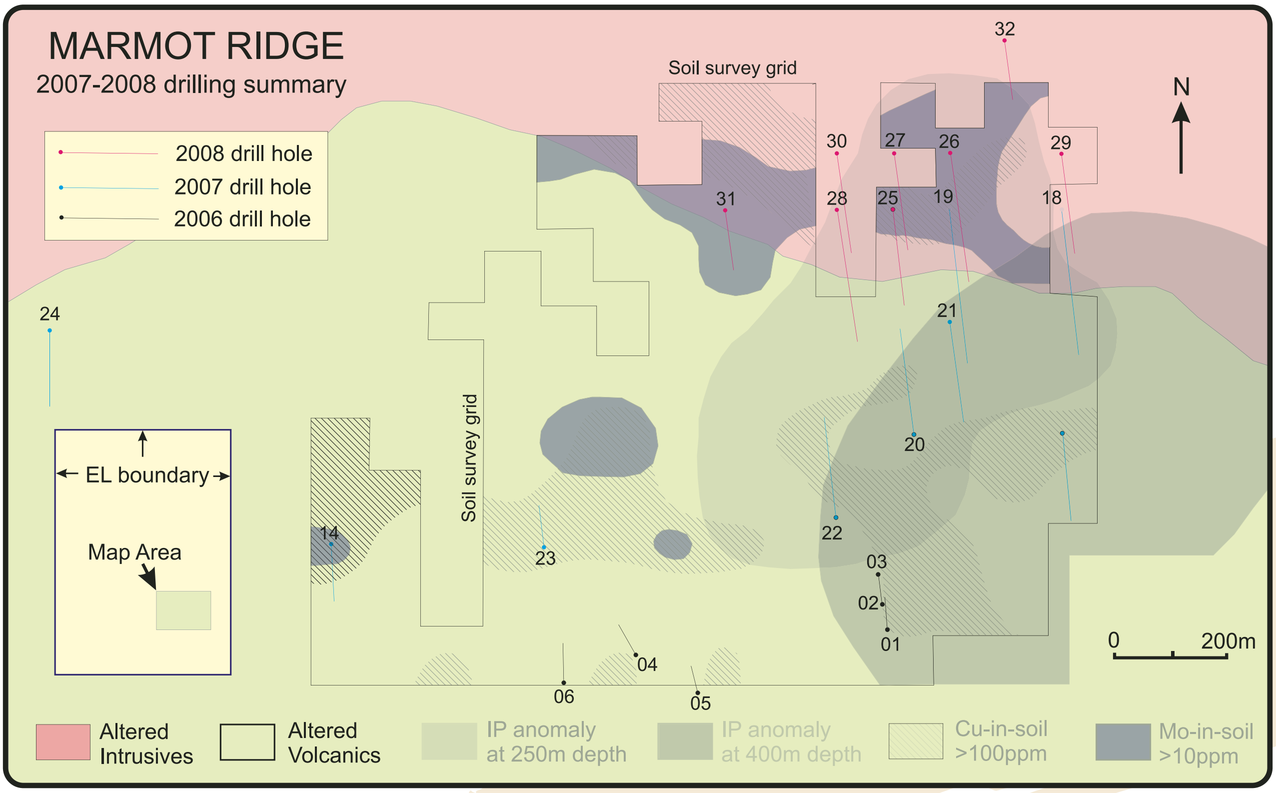
A further two holes (MR023 and MR024) for 527m were drilled to test local geological and magnetic anomalies 1km to the southwest and 1.6km to the west-southwest respectively from the molybdenite discovery holes. Both encountered propylitic altered volcanics with intermittent chalcopyrite dusting but MR024 also encountered 276m of strongly altered and locally brecciated quartz diorite porphyry intrusive.

In addition to the molybdenite mineralisation discovery described above, the drilling results have provided further encouragement in the form of:

- The northward transition from volcanics to granitic rocks is accompanied by a change from predominantly propylitic alteration to predominantly potassic alteration. This infers a step towards the centre of the alteration system;
- The presence of monzonite porphyry dykes within the granosyenite and a substantial quartz diorite porphyry intruding the volcanics, reinforcing the porphyry association;
- The presence within the granosyenite of chalcopyrite (Cu sulphide) dusting similar to that encountered through the volcanics to the south and southwest; and,
- Indications of an alteration/mineralisation corridor oblique to the structural trend being pursued through 2006.
- Petrographic studies confirming the presence of porphyry-style molybdenum and copper mineralisation associated with quartz syenite, monzogranite and granosyenite intrusive phases.

The Marmot Ridge alteration system is larger than initially thought and remains wide open to the north. It extends through a several hundred metre vertical sequence of multi-phase alkaline intrusive rocks and their volcanic equivalents. The alteration is strong, complexly-zoned and further complicated by faulting. Anomalous copper is widespread and an enticing spread of significant molybdenum mineralisation is now being encountered. The system is characteristic of large Cu-Mo or Mo porphyry deposits found elsewhere in the world and ongoing exploration is highly merited. While the size and complexity of the system are such that ongoing exploration will require persistence and thoughtful selection and application of the available geological, geochemical and geophysical tools, the potential reward is large.

Figure 3:
Marmot Ridge
2007-2008
drilling summary



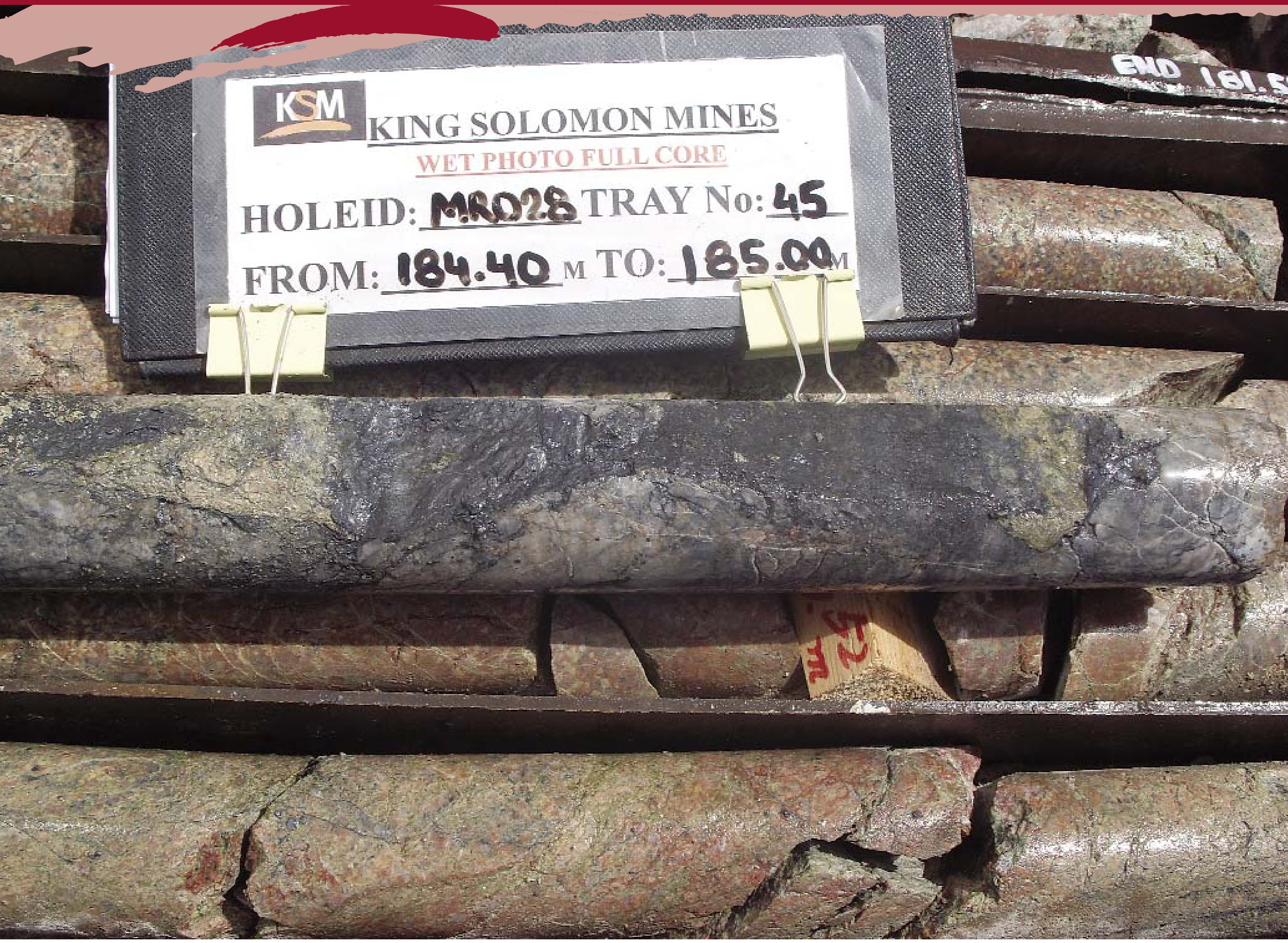


Figure 4: Molybdenite in drill core, Marmot Ridge

Bu Dun Hua Copper – Gold Project

In May 2007, the exploration licence containing the Bu Dun Hua project was acquired along with the those licences containing the Wang Jia Ying Zi and Dong Gou Zi projects The Bu Dun Hua tenement covers an area of Mesozoic felsic volcanics outcropping on hills protruding through widespread colluvium and drifting sand cover. The focus of the project is the **Lao Ping Tong** prospect which is interpreted as a window into an eroded, strongly hydrothermally altered, rhyolite eruptive complex.

Detailed geological mapping by KSO at Lao Ping Tong shows widespread hydrothermal alteration throughout a faulted sequence of rhyolite tuffs and flows transacted by andesite dykes. Petrographic studies indicate the hydrothermal alteration to be sub-epithermal with a mineralogy characteristic of a copper-gold volcano-intrusive system.

Four outcropping, tabular quartz-hematite zones – possible radial structures - up to 360m long and 20m wide – outcrop briefly at Lao Ping Tong before disappearing under colluvium. There has been a shallow shaft and a minor amount of stoping undertaken on one of the structures as well as three sub-vertical diamond drill holes that appear unlikely to have passed through the main target. While there are no drill records available, remnants of the core (un-cut) show pyrite veinlets and disseminations, clay alteration, local brecciation and sheeted quartz veinlets. Surface sampling by KSO has confirmed the presence of anomalous Au (up to 1.09g/t); Ag (up to 371g/t); Cu (up to 0.39%); and Zn (up to 0.3%) in the vicinity of the shaft and the old drillholes.

KSO mapping suggests that the quartz-hematite veins are associated with early faulting whereas the poly-metallic mineralisation is associated with a subsequent phase that created tensional breccias with associated network veins, veinlets and pervasive silicification. XRD analysis has revealed strong alteration of the predominantly pyroclastic rhyolitic rocks to quartz, illite-sericite and secondary K-feldspar at temperatures exceeding 220^{o} to 250^{o}.

The geology, alteration and mineralisation indicate potential for porphyry-related low-sulfidation quartz-sulphide mineralisation at depth. This deposit style is normally located peripheral to intrusions in pre-existing structures, commonly in association with magmatic hydrothermal breccias. Favourable features at Lao Ping Tong include the style of alteration (strong phyllic over-printing propylitic); the presence of sub-volcanic andesite; the presence of sheeted veins and fluidised breccias; and, the vein paragenesis (hematite-magnetite followed by quartz-pyrite, pyrrhotite-arsenopyrite and finally chalcopyrite). The mineralisation also includes gold and silver.

The concept of underlying or subjacent intrusive-associated mineralisation is supported by geophysical studies conducted by the Geology and Geophysical Division of the China Academy of Sciences at Lao Ping Tong in 2004. A series of orientation EM (electromagnetic) IP (induced polarisation) and Resistivity (electrical resistivity) surveys provided strong support for:

- Continuation of the currently-known mineralised quartz-hematite structures at depth;
- The presence of at least three similar structures of significant size either under cover or not breaking surface;
- The presence of an intrusive at shallow levels.

The Lao Ping Tong prospect is centrally located within the Bu Dun Hua tenement. KSO has focused on this area because of the obvious targets therein. The prospect appears however to be associated with alteration near the margins of a large eruptive centre and broader reconnaissance mapping and sampling has already yielded locally strong Pb (up to 742ppm), Zn (up to 836ppm) and As (up to 600ppm) anomalies up to 2.6km from the Lao Ping Tong prospect. Ongoing mapping and sampling will extend toward the centre of the volcanic complex although low topography and extensive colluvium and sand cover will necessitate geophysical survey assistance. A magnetic survey has already been completed and an IP survey had commenced at the time of writing.

Wuritu Copper Project

KSO's view of the Wuritu project has changed dramatically through the course of the year. The 2007 season commenced with a focus on the 300m zone of copper carbonate rich colluvium described previously as "Malachite Ridge". The target concept was a modest sized but potential high-grade lode-style copper deposit underlying the highly copper-anomalous colluvium. An initial drilling campaign failed to intercept the anticipated structure but encountered instead, underlying intrusives and associated strong hydrothermal alteration more consistent with a large scale porphyry-style target. The drilling program was consequently terminated and a fresh exploration approach more appropriate to a large-scale

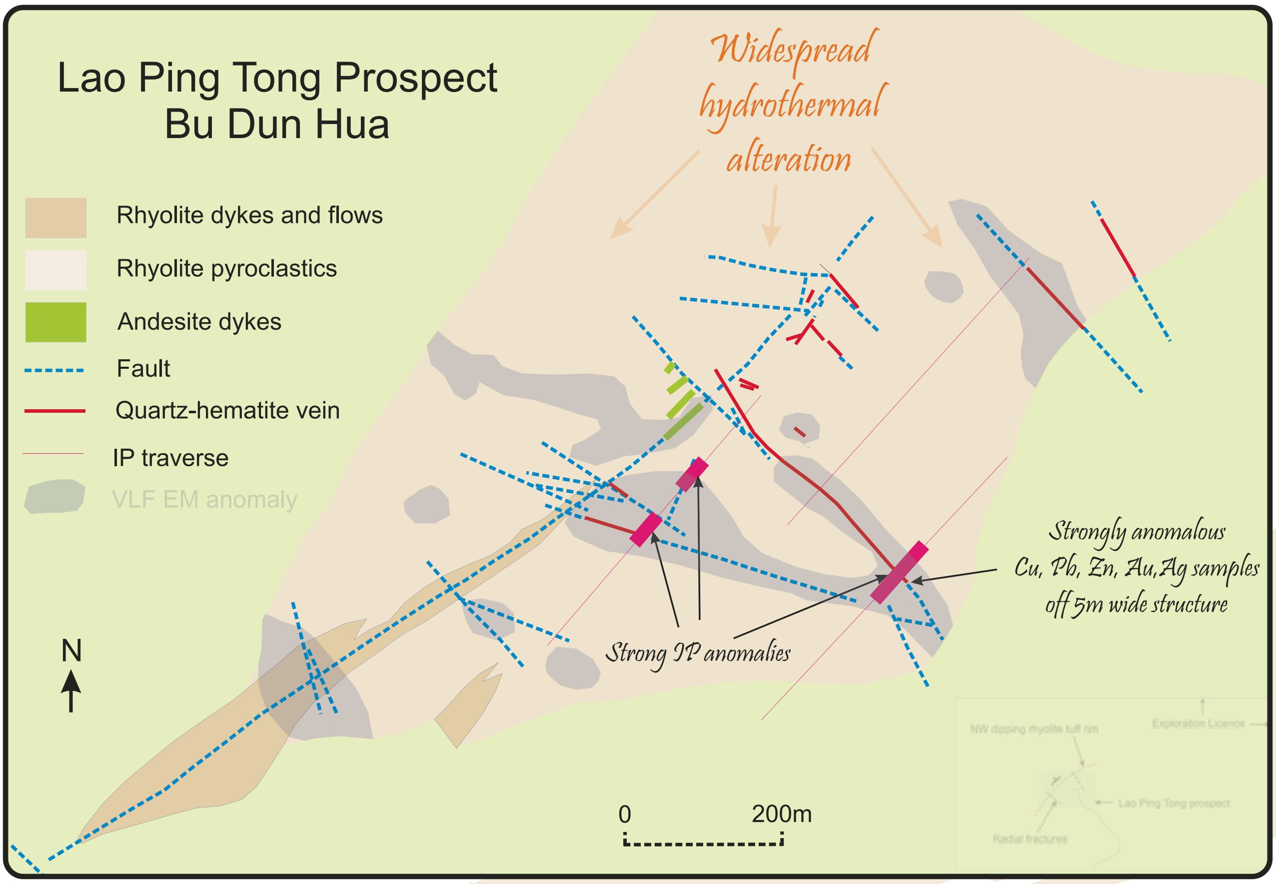


Figure 5: Lao Ping Tong Prospect Bu Dun Hua

Figure 6: Geological Mapping at Bu Dun Hua

target was adopted. To reflect the new perspective, the larger prospect area was re-named "Oyut" the local Mongolian name for the area enveloping Malachite Ridge.

The Malachite Ridge drill program consisted of seven diamond holes for 908m in three north-south sections. While assays received from the first four holes produced significantly copper anomalous zones near surface (eg. WR002 – 13.6m at 0.57% Cu; WR003 – 2.5m at 0.19% Cu) the expectation of sub-vertical "lode" intercepts was not realised. The holes revealed chlorite-epidote-calcite altered metasediments overlying variably altered, strongly fractured and calcite-stockwork-veined diorite and gneissic-granite intrusives. Alteration includes magnetite, hematite dusting and up to 3% sulphide as disseminations and veinlets, most particularly in argillaceous rocks near the intrusive interface but also within the altered intrusives. While pyrite is the dominant sulphide, trace chalcopyrite has been noted and erratic gold values have been encountered. The entire rock package is tectonically strained and faulted to breccia and/or cataclasite stage. Petrographic studies suggest an early Cu $\pm$ Au mineralisation associated with high temperature porphyry-style alteration within the granitoid/gneissic rocks.

The revised exploration program commenced with the 28 line-km Oyut IP survey. The survey delineated a 2.5km long, fault-offset corridor of elevated IP chargeability containing four strong anomalies (WIP1 – WIP4) one of which was associated with the surface mineralisation at Malachite Ridge. A single hole drilled into the eastern end of the latter anomaly yielded anomalous copper values in the order of hundreds of ppm Cu over several metres immediately sub-surface and over a 20m section commencing 207m downhole.

The IP corridor remains open to the west at the limit of the survey. An associated geological mapping program located a broad scatter of stockwork-veined, hematite-dusted, occasionally limonitic-altered meta-sediments and intrusives for up to 2km northwest, west and southwest of the original drilling site. A subsequent soil-sampling program has yielded a broad spread of Cu-in-soil anomalies despite many of the planned sample sites having to be being missed because of drifting surface sand cover.

The most encouraging of the Cu-in-soil anomalies is in the northeast of the grid where values of up to 1500ppm Cu-in-soil are coincident with IP anomaly No. WIP-4. An RC drill program is due to commence at this site shortly.

The alteration and mineralisation located to date at Oyut is spatially related to the lower section of the hydrothermally altered, carbonate-rich metasedimentary sequence and its contact with underlying intrusives. The possibility of skarn-style copper-occurrences is very strong in this setting. The step-back to a broader exploration perspective is already delineating geological/geochemical/geophysical targets commensurate with this model.

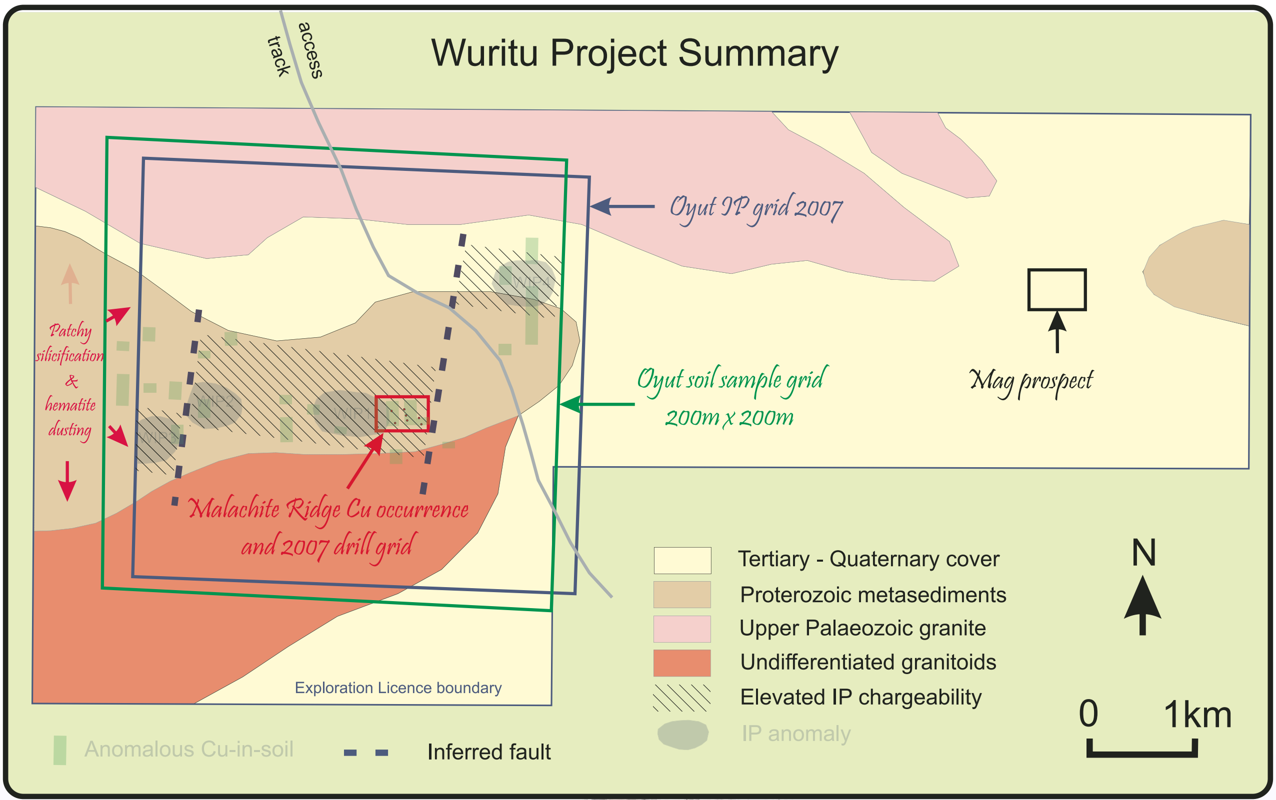


Figure 7 (above): Wuritu Project Summary

Figure 8 (below): Diamond drill sampling at Wuritu

Naogaoshandu Gold Project

Systematic mapping of the two tenements comprising KSO's Sonid South gold project showed the two areas to be geologically distinct and they were consequently separated into the Beyinhar North and Naogaoshandu gold projects.

Geological mapping and 200m x 200m soil sampling undertaken through the 47.2 sq km Naogaoshandu tenement in 2007 resulted in the discovery firstly of the Three Eagles epithermal Au prospect; secondly of the New Eastern mesothermal Au prospect; and thirdly, of a number of smaller, erratic Au-in-soil anomalies associated with small Au-bearing quartz veins.

Three Eagles Prospect

This prospect consists of a 500m long zone of structurally-controlled chalcedonic silicification within chlorite schist. Initial lag and rock-chip sampling along the zone yielded persistent As anomalies up to 140 ppm; erratic Au anomalies up to 0.77 g/t; and erratic Ag anomalies up to 3.7 g/t. The first RC drilling of KSO's 2008 program was undertaken at the Three Eagles prospect. Eight holes for approximately 1,100m were drilled beneath two north-dipping sub-parallel east-west trending veins varying in separation from 10m to 20m and in individual vein width from 1m to 3m. The holes encountered veins, veinlet zones and sulphide zones over several metre widths and at depths up to 120m below surface. Weak Au anomalism was widespread through the holes, commonly exceeding 0.01g/t Au but rarely exceeding 0.1g/t Au. The best intercepts were 2m at 2.1 g/t Au and 1m at 1.61g/t Au. The anomalous Au values are associated with pyrite and are accompanied by surprisingly strong zinc (up to 0.18% Zn) and moderately strong copper (up to 622ppm Cu) anomalies.

New Eastern Prospect

This prospect is centred on a 1sq km area of widespread mesothermal-style quartz veins and vein stockworks hosted primarily in chlorite and quartz-mica schists but also in adjacent felsic intrusives. Gold-in-soil anomalies are widespread and peak locally at better than 100ppb Au. The combination of veining and gold anomalism is an attractive one and a program of detailed mapping and intensive outcrop and trench rock-chip sampling has commenced.

Scattered clusters of Au-in-soil anomalies elsewhere in the project area appear to be commonly associated with a 7km northeast to east-northeast structural trend. Follow-up prospecting and rock chip sampling has yielded several samples of better than 1g/t Au and ranging up to 6.45 g/t Au from generally small quartz veins outcropping intermittently along the trend. Follow-up work is planned.

The widespread and intermittently strong (>1 g/t Au) gold anomalism encountered in a number of areas across this project is encouraging and further work is well merited.

Figure 9: Naogaoshandu Prospect Locations

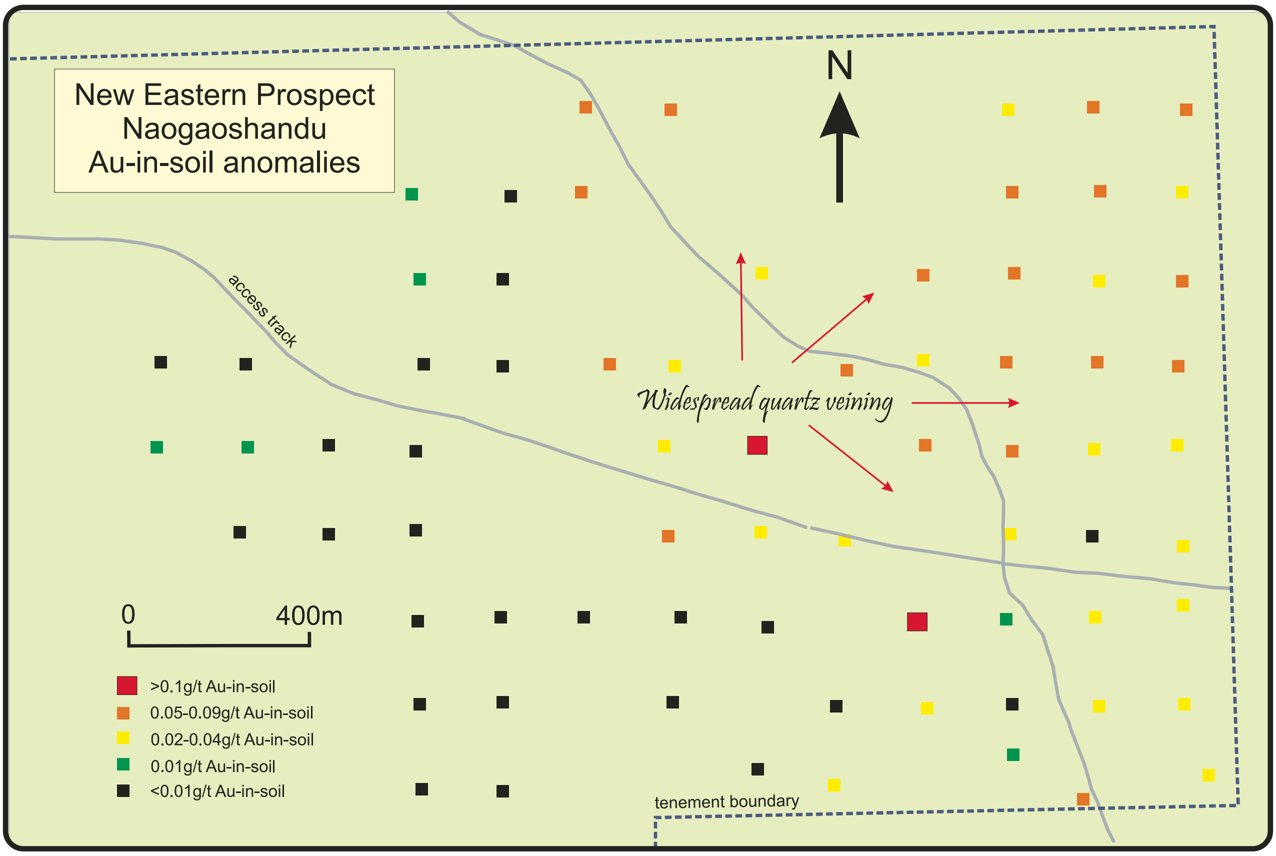


Figure 10: New Eastern prospect Naogaoshandu Au-in-soil anomolies

Beyinhar North Gold Project

The Beyinhar North (74.7 sq km) area is so-named because it lies immediately north-east along strike from the Beyinhar gold project where Australian explorer Sino Gold Ltd has estimated a resource of 51Mt at 0.62g/t Au for 1Moz Au.

KSO's exploration effort through the 2007 season at Beyinhar North was directed toward completing geological, geophysical and geochemical coverage of the tenement in order to more fully establish its prospectivity. This resulted in recognition of at least six more-or-less-distinct centres of silicification and other hydrothermal alteration within the tenement.

Roadside Prospect

The Roadside prospect consists of a roughly-oval 4 sq km area of chalcedonic silica and vein-quartz colluvium with rare windows through to underlying quartz-calcite-clay altered granite. The prospect lies northward along strike from the Beyinhar gold project. Lag sampling, soil sampling and limited rock-chip sampling surveys have each yielded sparse low-order Au anomalies. An initial RC drilling program of 9 holes for a total of 1,053m was undertaken for orientation purposes across a central zone of particularly intense carbonate-rich silicification and clay alteration. No significant Au results were obtained despite intercepts through 10+m zones of quartz-veined granite and individual quartz veins up to 2m wide. Given the extent of the alteration system, and the appreciation that prospective Au mineralisation may not necessarily be associated with the most intense silicification. An IP survey was commissioned late in the reporting year to assist focus future drilling.

Fiddlers Rise Prospect

The Fiddlers Rise prospect is located near the geographic centre of the tenement and envelops a swing in predominant structural trend from northeast-southwest to near east-west. It occupies a very roughly circular spread, approximately 1.5 km in diameter, of Au-in-soil anomalies ranging from 20ppb to 130ppb. The anomalies are associated with local trains of chalcedonic silica colluvium. Earlier lag sampling had shown the colluvium to be locally Au anomalous. A reconnaissance line of three RC drill holes for 300m undertaken across a single 350m x 150m silica colluvium lens revealed semi-continuous quartz veining over 20m and 25m respectively in two of the holes. No significant Au, Ag or As values were found in either of the quartz or the granite wall-rock. The surface Au anomalism remains unexplained. In light of the poor outcrop in this area, further work will require a combination of trenching, geophysics and RC drilling.

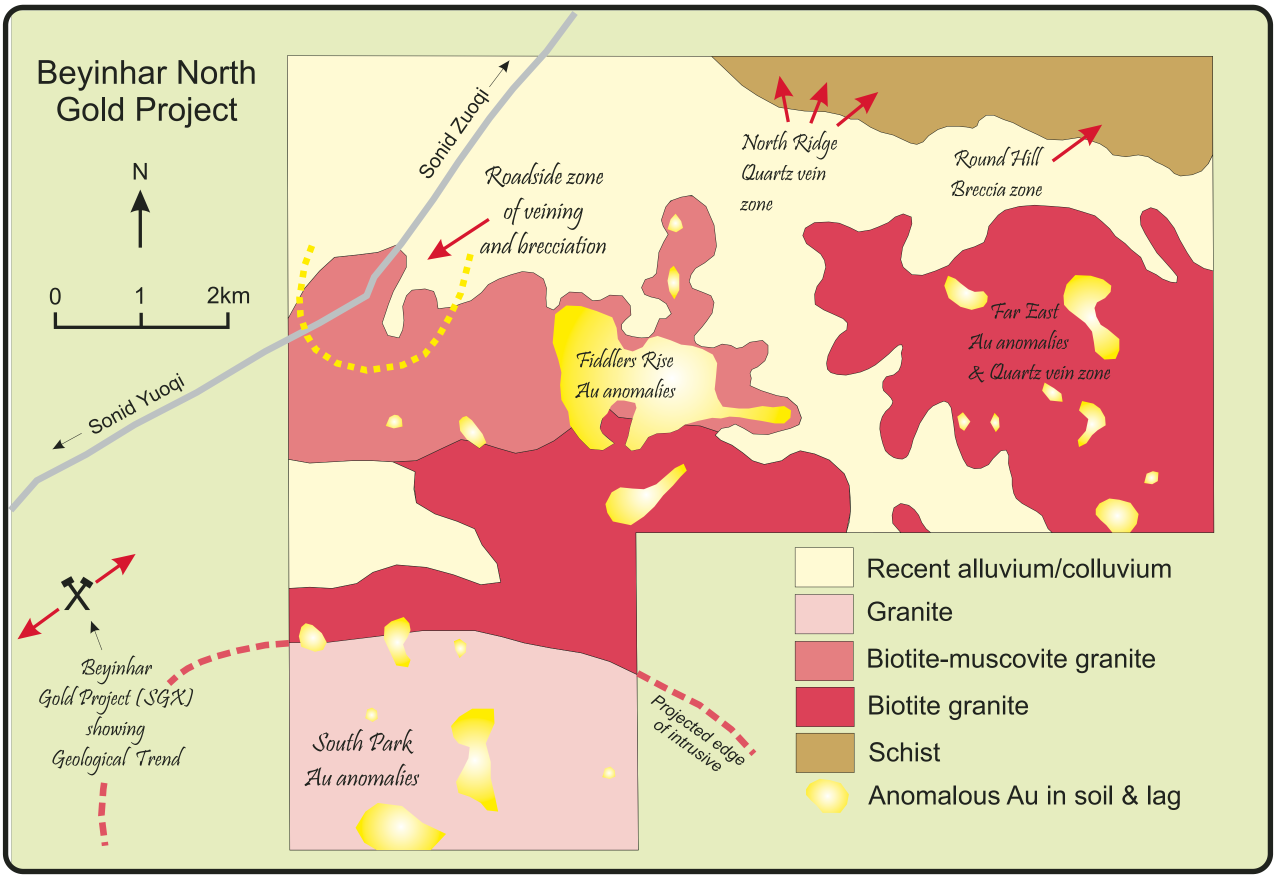


Figure 11: Beyinhar North Gold Project

Far East Prospect

The Far East prospect consists of a package of at least nine east-west trending, granite-hosted quartz veins, the larger of which have strike lengths in the order of 1 km and widths varying from 0.5m to 3m. Surface grab sampling has yielded a number of encouraging silver (up to 48.5g/t Ag) and copper (up to 869ppm Cu) values. While interesting, the vein widths preclude consideration of bulk mining and the prospect is at the lower end of the Beyinhar North priorities for further work.

Round Hill

At Round Hill, follow-up of a strong, roughly concentric positive magnetic anomaly has located chalcedonic and vein quartz colluvium over a hilltop area of approximately 2 sq km. Rare outcrop indicates a granitic host cut by quartz veins and quartz breccias. Coarse reconnaissance soil sampling over the area located only weak Au, Zn and Mo anomalism but rock chip sampling will be undertaken later in the 2008 season. Trenching will be warranted in the event of any geochemical encouragement.

North Ridge and South Park

Alteration (predominantly silicification) and geochemical anomalies have been identified but remain to be followed-up at North Ridge and South Park. The latter prospect is of particular interest because scattered but moderately strong Cu, Mo, Ag and Au soil anomalies have been found over a 5+ sq km area of granitic intrusive.

Other Projects

Sonid North Project

The Sonid North project lies immediately west of KSO's Marmot Exploration License. Drifting sand cover is widespread to the extent that mapping and surface sample coverage has been limited to approximately one third of the tenement. Both soil and rock gold anomalies have nevertheless been found in an area known as the Mystery prospect. Follow-up is planned.

Amoyitele Project

Exploration of the Amoyitele project near the China/Mongolia border has consisted of a tenement-wide hand-borne magnetic survey; orientation soil and lag sampling traverses across government-reported Ni and Pb soil anomalies; and a range of rock samples collected in the course of routine prospecting. While the soil/lag traverses failed to locate any evidence of the reported geochemical anomalies, the magnetic survey produced five distinct targets suggestive of modest-sized magnetite lenses similar to those mined by open-pit immediately south of the tenement. Isolated rock Au and Cu anomalies remain to be followed up.

Dong Gou Zi

At Dong Gou Zi in Wengniute county approximately 80km south of Bu Dun Hua, mapping of a series of old gold workings has shown them to be targeting a 50m wide east-west trending package of very narrow (tens of centimeters) steeply-dipping mineralised fault structures. Former tenement holders and subsequent illegal miners have stoped the narrow, reputedly high-grade lodes over a strike length of approximately 250m and to depths of approximately 50m below surface. Wall-rock sampling to date has failed to locate any indication of mineralisation outside of the lodes so that ongoing potential is limited either to continuation of narrow lode stoping (outside of KSO's target parameters) or to investigation of bulk mining potential below the existing workings.

Wang Jia Ying Zi

The Wang Jia Ying Zi prospect lies approximately midway between Bu Dun Hua and Dong Gou Zi. It consists of minor prospecting workings on a weathered, weakly Pb/Zn mineralised lode structure. While possible repetitions have been noted for up to 1km along strike, there is little evidence as yet for a target of sufficient size to meet KSO's parameters.

Schedule of Tenements

Tenements containing the Bu Dun Hua, Dong Gouzi and Wang Jiayingzi projects are located in the Wengniute Banner (County) of Inner Mongolia, China. The remaining tenements are located in the Sonid Zouqi Banner (County) of Inner Mongolia, China.

Project	Exploration Licence	Area (km^2)	Interest
Marmot Ridge	1500000732236	39.7	100%*
Wuritu	1500000721026	33.6	100%*
Amoyitele	1500000721068	87.0	100%*
Sonid North	1500000732239	24.8	100%*
Naogaoshandu	1500000732238	47.2	100%*
Beyinhar North	1500000732237	74.7	100%*
Bu Dun Hua	1500000732559	25.1	100%**
Dong Gouzi	1500000732558	13.3	100%**
Wang Jiayingzi	1500000732208	8.2	100%**

* The Company holds the rights to its exploration projects through a 90% equity interest in Inner Mongolia Plate Mining Limited ("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 Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd ("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. AMX holds its 10% interest in Plate on trust for the Company.

** 3 exploration licences were acquired by Plate purchasing 85% of the shares in Chifeng Tianfeng Mineral Co. Limited ("CTM"), the current owner of the 3 licences. The remaining 15% is held by King Solomon director Fu La under a trust agreement for King Solomon.

Report of the Directors

Your Directors present the financial report of the Company for the period ended 31 March 2008.

The following persons hold office as Directors at the date of this report. Their qualifications and experience are:

Mr John Quinn

B.Com.

Non-Executive Chairman

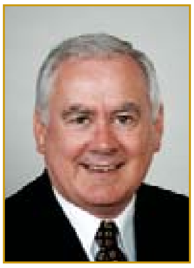
John Quinn has been chairman since joining the board on 2 February 2007. His career spans more than 30 years in the mining industry. He played a key role in the formation of Newmont Australia in 1987 as well as the creation of Newcrest Mining Limited in 1990 where he was Managing Director for 8 years. John was Non-Executive Chairman of Perseverance Corporation from 2001 to 2007.

Mr Stephen McPhail

M.Sc., M.B.A.

Managing Director

Stephen McPhail has been a director since he co-founded King Solomon in January 2003. He has 20 years experience in the mining industry. He managed Todd Corporation Limited's gold and base metals business from 1988–1993. In 1994 co-founded Highlake Resources NL ("Highlake") 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 an investment bank focused on high growth companies.



Mr Bruce Bell

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

Executive Director

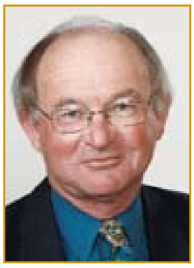
Bruce Bell has been a director since he co-founded King Solomon in January 2003. He has over 30 years experience in the mining industry in Australia, New Zealand, North America, the Pacific Islands and China.

He has worked for Teck, Delta Gold, Highlake and Ballarat Goldfields. He was a founding shareholder and executive of Delta which listed in 1983. He was a director of Delta from 1985–89. In 1994, Bruce co-founded Highlake which he managed through an IPO and merger with Ballarat Goldfields in 1998. Bruce manages King Solomon's exploration program.

Mr Fu La

Executive Director

Fu La has been a director since 5 May 2004. He has worked for 15 years in the commodity logistics industry for the Inner Mongolia Bureau of Commodity Logistics. He has participated in gold mining projects in Inner Mongolia, China. Fu La is an ethnic Mongolian and a successful entrepreneur as well as a former CPC (the Communist Party of China) official. He is responsible for acquiring minerals licences and negotiating with King Solomon's potential joint venture partners in China.



Mr Christopher Castle

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

Non-Executive Director

Chris Castle joined the board of King Solomon on 31 October 2005. He is a chartered accountant with 30 years experience in the investment and corporate finance sectors. He manages mineral exploration investment company Widespread Portfolios Limited and oil and gas investor Widespread Energy Limited. Both are listed on the New Zealand Stock Exchange. He is a non-executive director of Asian Mineral Resources Ltd. (listed on the Venture Exchange of the Toronto Stock Exchange).

Interests Register

The Company is required to maintain an Interests Register in which particulars of certain transactions and matters involving Directors must be recorded. Details of the entries in this register for each of the Directors are included in this Report. Each of the Directors have made the following general disclosures:

Mr McPhail is to be regarded as interested in any transaction with Bodhi Svaha Holdings Limited as he is a director and shareholder of that company

Mr Bell is to be regarded as interested in any transaction with Selwyn Management Limited, Selwyn Geosurveys Limited (formerly known as Frontier Mapping Limited) and Black Box Spatial Limited (formerly known as Frontier Global Limited), as he is a director and shareholder of these companies.

Mr Fu La is to be regarded as interested in any transaction with Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd. as he is a director and shareholder of that company.

Mr Castle is to be regarded as interested in any transaction with Widespread Portfolios Limited as he is a director and shareholder of that company. He is to be regarded as interested in any transaction with Mineral Investments Limited, Widespread Limited, Widespread Energy Limited, Akura Limited and Asian Mineral Resources Limited as he is a director of these companies. Mineral Investments Limited and Widespread Limited are wholly owned subsidiaries of Widespread Portfolios Limited,

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 31 March 2008 are set out in Director's Disclosure after Note 19 to the financial statements and the Disclosure of Directors Share Dealings at page 41 of this report.

Activities

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

Results

The net result of operations after applicable income tax expense was a loss of $1,442,677.

Dividends

No dividends were paid or proposed during the period.

Review of Operations

A review of the operations of the Company during the financial period and the results of those operations are contained on pages 3 to 13 of this report.

Corporate Structure

King Solomon Mines Ltd is incorporated and domiciled in New Zealand.

Employees

The Company had 2 employees as at 31 March 2008. The Company uses contract geologists and other consultants as required.

Significant Changes

The Directors are not aware of any significant changes in the state of affairs of the Company occurring during the financial period, other than as disclosed in this report.

Matters Subsequent to the End of the Financial Period

There were at the date of this report no matters or circumstances which have arisen since 31 March 2008 that have significantly affected or may significantly affect:

i) the operations of the Company,

ii) the results of those operations, or

iii) the state of affairs of the Company,

in the financial years subsequent to 31 March 2008.

Likely Developments and Expected Results

As the Company's areas of interest are at an early stage of exploration, it is not possible to postulate likely developments and any expected results. The Company is hoping to identify other precious and base metal exploration and evaluation targets.

Remuneration Report

Directors' Benefits and Emoluments

	Director Fees 2008 $	Option Remuneration 2008 $	Other Remuneration 2008 $	Director Fees 2007 $	Option Remuneration 2007 $	Other Remuneration 2007 $
John Quinn	65,021	42,973	–	10,731	69,322	–
Stephen McPhail	–	–	173,921	–	73,388	136,907
Bruce Bell	–	–	151,342	–	73,388	108,837
Fu La	–	–	149,169	–	73,388	103,320
Chris Castle	34,900	15,041	–	5,778	24,263	–

During its annual budget review the Board reviews the Directors' Emoluments. Remuneration levels which are set to provide reasonable compensation in line with the Company's limited financial resources. During the period no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in Notes 11 to the accounts) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Remuneration of the Board and Senior Management

The Board on advice from the remuneration committee will determine the fees for non-executive directors and remuneration packages for executives. The fees for Directors are disclosed below. There is no retirement scheme for Non-Executive Directors. There were no employees, not being directors of the Company, who received remuneration and benefits above NZ$100,000 per annum.

Directors' Fees

Directors are entitled to remuneration out of the funds of the Company but the remuneration of the Non-Executive Directors may not exceed in any year the amount fixed by the Company in general meeting for that purpose. The aggregate remuneration of the Non-Executive Directors has been fixed at a maximum of $200,000 per annum to be apportioned among the non executive directors in such a manner as they determine (refer below). Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors. Director's fees are $65,000 per annum for the Chairman and $35,000 per annum for Non-Executive Directors. Executive directors do not receive director fees. Messrs McPhail, Bell and La are considered executive directors.

Directors' Employment and Service Contracts

Neither Mr Quinn nor Mr Castle have entered into employment contracts with the Company. The Company has entered into service agreements with Bodhi Svaha Holdings Limited ("BSHL"), Selwyn Geosurveys Limited ("SGL"), and Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd ("AMX") a summary of which are set out below.

Agreement Between the Company and Bodhi Svaha Holdings Limited

Stephen McPhail is engaged via an agreement between the Company and BSHL a company controlled by him. During the financial year BSHL received fees of $173,921 for services.

The fee to BSHL for services is $180,000 per annum, renegotiable yearly. There is a requirement for BSHL to procure that Stephen McPhail works for a minimum of thirty hours per week for forty-six weeks per year as managing director for the Company. The agreement began on 18 April 2007 with an initial term of three years, thereafter continuing indefinitely until either party terminates it.

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 BSHL would have received in the next twelve months; and

b) in the event 6 months or less remains of the current agreement, the amount BSHL would have received had the current agreement come to an end after six months.

Agreement Between the Company and Selwyn Geosurveys Limited

Bruce Bell is engaged via an agreement between the Company and SGL a company controlled by him.

For the period ended 31 March 2008, the fee to Selwyn Management Limited (SML") for services was $150,000 per annum. During the financial year SML received fees of $151,342 for services. From 1 April 2008, this fee was increased to $210,000 and the services agreement was assigned from SML to SGL, a company controlled by Bruce Bell. There is a requirement for SGL to procure that Bruce Bell works for a minimum of thirty hours per week for forty-six weeks per year providing exploration management services to the Company. In all other aspects, the agreement is identical to that of BSHL above.

Agreement Between the Company and Inner Mongolia Ao Meng Xin Economic and Trade Co., Ltd

Fu La is engaged via an agreement between the Company and AMX a company controlled by him. During the financial year AMX received $149,169 for services.

The fee to AMX for services is $150,000 per annum. There is a requirement for AMX to procure that Fu La works for a minimum of thirty hours per week for forty-six weeks per year providing general management services to the Company including growing the Company's mineral exploration business in Inner Mongolia, China. In all other aspects, the agreement is identical to that of BSHL above.

Share Options

Particulars of options granted over un-issued shares:

i) There were no shares issued during the period ended 31 March 2008 by virtue of the exercise of options.

ii) As at the end of the financial period, the Company had on issue:

- rights to acquire 6,279,999 un-issued shares exercisable by 4 May 2011 at 30 cents per share and
- rights to acquire 500,000 un-issued shares exercisable by 18 April 2009 at 25 cents per share.

iii) Since the end of the financial year the Company has not issued any options.

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company until the options are exercised.

Meetings of Directors

Board Meeting Attendance is detailed in the table below.

Non-Executive Directors, Messrs J Quinn and C Castle and Executive Director Mr B Bell are members of the Company's Audit Committee. The Committee will review the Company's financial systems, accounting policies, half-year and annual financial statements. There were 2 Audit Committee meetings during the period.

Indemnification and Insurance of Directors and Officers

Every Director is indemnified by the Company for any costs in relation to a liability for an act or omission in their capacity as a Director provided that they successfully defend any legal proceedings. 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.

The Company has arranged directors and officers liability insurance with the amount of premium for cover under the policy not permitted to be disclosed.

Environmental Performance

King Solomon subsidiary Plate holds the rights to acquire exploration licences issued by the Inner Mongolian government authorities which specify guidelines for environmental impacts in relation to exploration activities. There have been no significant known breaches of the licence conditions.

Board Meeting Attendance

Director	Appointed to Board	Meetings Entitled to Attend (incl. committees)	Meetings Attended
John Quinn	2 February 2007	9	9
Stephen McPhail	28 January 2003	7	7
Bruce Bell	28 January 2003	9	7
Fu La	5 May 2004	7	4
Chris Castle	31 October 2005	9	9

Income Statement

for the year ended 31 March 2008

	Note	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
Other Income					
Dividend Income		405	396	405	396
Interest Received		365,205	22,356	350,214	22,115
Total Other Income		**365,610**	**22,752**	**350,619**	**22,511**
Expenses					
Amortisation	8	781	61	781	61
Depreciation	9	14,189	4,838	11,964	4,713
Directors' Fees		99,921	16,509	99,921	16,509
Share Option Expense	12	58,014	326,469	58,014	326,469
Employee Benefits Expense	10	30,523	49,811	4,088	41,578
Foreign Exchange Loss		378,628	14,945	297,790	14,945
Office Expenses		131,209	57,682	52,502	42,913
Professional Fees		346,546	421,819	346,546	421,819
Other Expenses and Reporting		243,052	136,630	222,041	114,620
Write Off of Exploration Expenditure	7	505,293	–	67,847	–
Total Expenses		**1,808,156**	**1,028,764**	**1,161,494**	**983,627**
Loss before Tax		**(1,442,546)**	**(1,006,012)**	**(810,875)**	**(961,116)**
Income Tax Expense	17	131	126	131	126
Net Loss attributable to Equity Holders of the Company		**(1,442,677)**	**(1,006,138)**	**(811,006)**	**(961,242)**
		$/share	*$/share*	*$/share*	*$/share*
Loss Per Share					
Basic Loss per Share	14	(0.02)	(0.03)	(0.01)	(0.03)
Diluted Loss per Share	14	(0.02)	(0.03)	(0.01)	(0.03)

The above income statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 31 March 2008

	Note	Share Capital $	Share Options $	Foreign Currency Translation Reserve $	Accumulated Loss $	Total Shareholder Funds $
PARENT						
Equity as at 1 April 2006		**970,189**	**–**	**–**	**(480,985)**	**489,204**
Foreign Exchange		32,634	–	–	(32,000)	634
Options Issued	12	–	359,320	–	–	359,320
Loss for Year		–	–	–	(961,242)	(961,242)
Total Recognised Income and Expense for the Year		**32,634**	**359,320**	**–**	**(993,242)**	**(601,288)**
Issued Capital	12	1,320,958	–	–	–	1,320,958
Equity as at 31 March 2007		**2,323,781**	**359,320**	**–**	**(1,474,227)**	**1,208,874**
Equity as at 1 April 2007		**2,323,781**	**359,320**	**–**	**(1,474,227)**	**1,208,874**
Foreign Exchange		–	–	–	–	–
Options Issued	12	–	71,375	–	–	71,375
Loss for Year		–	–	–	(811,006)	(811,006)
Total Recognised Income and Expense for the Year		**–**	**71,375**	**–**	**(811,006)**	**(739,631)**
Issued Capital	12	10,000,000	–	–	–	10,000,000
Issued Capital Raising Expenses		(821,473)	–	–	–	(821,473)
Equity as at 31 March 2008		**11,502,308**	**430,695**	**–**	**(2,285,233)**	**9,647,770**
GROUP						
Equity as at 1 April 2006		**970,189**	**–**	**–**	**(480,985)**	**489,204**
Foreign Exchange		32,634	–	(49,975)	(32,741)	(50,082)
Options Issued	12	–	359,320	–	–	359,320
Loss for Year		–	–	–	(1,006,138)	(1,006,138)
Total Recognised Income and Expense for the Year		**32,634**	**359,320**	**(49,975)**	**(1,038,879)**	**(696,900)**
Issued Capital	12	1,320,958	–	–	–	1,320,958
Equity as at 31 March 2007		**2,323,781**	**359,320**	**(49,975)**	**(1,519,864)**	**1,113,262**
Equity as at 1 April 2007		**2,323,781**	**359,320**	**(49,975)**	**(1,519,864)**	**1,113,262**
Foreign Exchange		–	–	(35,940)	–	(35,940)
Options Issued	12	–	71,375	–	–	71,375
Loss for Year		–	–	–	(1,442,677)	(1,442,677)
Total Recognised Income and Expense for the Year		**–**	**71,375**	**(35,940)**	**(1,442,677)**	**(1,407,242)**
Issued Capital	12	10,000,000	–	–	–	10,000,000
Issued Capital Raising Expenses		(821,473)	–	–	–	(821,473)
Equity as at 31 March 2008		**11,502,308**	**430,695**	**(85,915)**	**(2,962,541)**	**8,884,547**

Balance Sheet

as at 31 March 2008

	Note	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
SHAREHOLDERS' FUNDS					
Share Capital	12	11,502,308	2,323,781	11,502,308	2,323,781
Share Options	12	430,695	359,320	430,695	359,320
Foreign Currency Translation Reserve		(85,915)	(49,975)	–	–
Accumulated Losses		(2,962,541)	(1,519,864)	(2,285,233)	(1,474,227)
TOTAL FUNDS EMPLOYED		**8,884,547**	**1,113,262**	**9,647,770**	**1,208,874**
REPRESENTED BY:					
CURRENT ASSETS					
Cash and Cash Equivalents	6	6,299,101	10,576,524	5,089,263	10,567,450
Prepayments		104,712	6,230	5,668	6,230
Other Receivables – Related Parties	11	15,302	1,989	88,948	70,085
Other Receivables – Tax on Interest		126,479	8,749	126,479	8,749
Other Receivables – Other		64,615	51,466	64,615	51,466
Total Current Assets		**6,610,209**	**10,644,958**	**5,374,973**	**10,703,980**
CURRENT LIABILITIES					
Share Subscriptions		–	(10,016,877)	–	(10,016,877)
Accounts Payable – Related Parties	11	(67,839)	(75,940)	(67,839)	(75,940)
Accounts Payable – Other		(165,594)	(204,203)	(80,666)	(201,943)
Total Current Liabilities		(233,433)	(10,297,020)	(148,505)	(10,294,760)
NET CURRENT ASSETS		**6,376,776**	**347,938**	**5,226,468**	**409,220**
NON CURRENT ASSETS					
Property Plant and Equipment	9	291,222	94,283	43,451	26,577
Intangible Assets	8	9,230	271	9,230	271
Investment in Subsidiaries	13	–	–	3,351,899	533,332
Exploration and Evaluation Assets	7	2,207,319	670,770	1,016,722	239,474
Total Non Current Assets		2,507,771	765,324	4,421,302	799,654
NET ASSETS		**8,884,547**	**1,113,262**	**9,647,770**	**1,208,874**

On behalf of the Board

Bruce Bell
Director
20 June 2008

Stephen McPhail
Director
20 June 2008

The above balance sheets should be read in conjunction with the accompanying notes.

Cash Flow Statement

for the year ended 31 March 2008

	Note	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was received from:					
Interest		362,394	22,356	347,403	22,115
Dividends		274	270	274	270
		362,668	22,626	347,677	22,385
Cash was applied to:					
Payments to suppliers		816,916	588,194	724,655	487,650
Withholding-tax on Interest		118,736	5,231	118,736	5,231
		935,652	593,425	843,391	492,881
Net cash flow – Operating activities	16	(572,984)	(570,799)	(495,714)	(470,496)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was applied to:					
Purchase of Property Plant and Equipment		224,127	90,116	38,578	22,026
Purchase of Intangible Assets		–	517	–	517
Advance to Subsidiary		–	–	–	75,430
Investment in Subsidiary	13	–	–	2,818,567	533,332
Exploration Expenditure		2,178,814	670,124	904,668	238,829
		2,402,941	760,757	3,761,813	870,134
Net cash flow – Investing activities		(2,402,941)	(760,757)	(3,761,813)	(870,134)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was received from:					
Issue of Shares		–	1,320,958	–	1,320,958
Shares yet to be Issued		–	10,387,967	–	10,387,967
		–	11,708,925	–	11,708,925
Cash was applied to:					
Repayment of Share Oversubscriptions		387,967	–	387,967	–
Flotation Expenses		534,903	286,570	534,903	286,570
		922,870	286,570	922,870	286,570
Net cash flow – Financing activities		(922,870)	11,422,355	(922,870)	11,422,355
Net cash flows from all activities		(3,898,795)	10,090,799	(5,180,397)	10,081,725
Cash at Beginning of Year		10,576,524	485,725	10,567,450	485,725
Exchange Losses on Cash Balances		(378,628)	–	(297,790)	–
Cash at End of Year		**6,299,101**	**10,576,524**	**5,089,263**	**10,567,450**
Represented by:					
Cash at Bank	6	5,949,101	10,576,524	4,739,263	10,567,450
Short Term Bank deposits	6	350,000	–	350,000	–
Cash at End of Year	6	**6,299,101**	**10,576,524**	**5,089,263**	**10,567,450**

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

Notes to the Financial Statements

for the year ended 31 March 2008

1. GENERAL INFORMATION

These financial statements are presented in Australian Dollars.

The functional currency of the Company has changed from New Zealand dollars to Australian dollars to reflect the Company listing on the ASX and the influence of the Australian regulatory environment on the raising of any further capital.

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

The financial statements of the Group have been prepared on a going concern basis. The Directors anticipate that King Solomon Mines Limited, as an exploration entity, will be required to raise additional capital in the future to continue as a going concern.

The Company is a limited liability company incorporated on 28 January 2003 and domiciled in New Zealand. The address of its registered office is 3 Mutu Road, Paekakariki.

King Solomon Mines Limited undertook an Initial Public Offering of 40 million ordinary shares in its capital at an issue price of $0.20 with provision to accept oversubscriptions for an additional 10 million shares.

The offer opened 26 February 2007.

$10,387,967 was held in a broker controlled bank account at 31 March 2007.

As at 31 March 2007, proceeds from the share issue were recorded as a current liability as the shares subscribed for had not been allotted (see note 12).

The offer closed fully subscribed on 2 April 2007.

The Company was listed on the ASX on 18 April 2007.

Upon the successful listing, the proceeds were transferred to equity and the Company was then able to access the funds.

These consolidated financial statements were approved by the Board of Directors on 3 June 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years, unless otherwise stated.

2.1 Basis of Preparation

The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand. The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") interpretations and other applicable Financial Reporting Standards and in complying with NZ IFRS they are also in compliance with IFRS. The consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and Financial Reporting Act 1993 and have been prepared under the historical cost convention.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company and Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

The Group has applied NZ IFRS 7 Financial Instruments: Disclosures ("NZ IFRS 7") for the year ended 31 March 2008. Comparative information has been provided where required.

Certain other new standards, amendments and interpretations to existing standards have been published, but are not effective as at 31 March 2008. Of these the only standards applicable to the Group are NZ IAS 1 – Presentation of Financial Statements ("NZ IAS 1") as amended and NZ IFRS 8 – Operating Segments ("NZ IFRS 8"). The Group does not expect any significant impacts, other than presentation requirements when these standards become effective on 1st January 2009. The Group will apply these standards in the financial statements for the year ending 31 March 2009.

2.2 Consolidation

The Group financial statements consolidate the financial statements of the parent and its subsidiaries.

Subsidiaries are all entities (including special purpose entities) over which the Group 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 Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. 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 Group. 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 Group's share of the identifiable net assets acquired 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 Group.

Interests in subsidiaries are held at cost less impairment in the Parent.

2.3 Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Other Income

(a) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(b) Dividend income

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

2.5 Financial Instruments

The Group financial instruments carried on the Balance Sheet include cash and bank balances, receivables and accounts payable.

The Group classifies its financial assets as loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non –current assets. The Group's loans and receivables comprise "other receivables" and cash and cash equivalents in the balance sheet (note 2.11 and 2.19).

The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

2.6 Property, Plant and Equipment

All property, 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 capitalised.

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 Company or 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 used for exploration purposes is capitalised as part of exploration and evaluation expenditure.

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

– Plant and equipment	3-5 years
– Office furniture and equipment	3-12 years
– 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.

When an item of property plant or equipment is disposed of, the difference between the net disposal proceeds and the carrying amount is recognised as a gain or loss in the Income Statement.

2.7 Intangible Assets

Software

Software is recognised 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 of 3 to 5 years.

Amortisation on assets used for exploration purposes is capitalised as part of exploration and evaluation expenditure.

2.8 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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 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).

2.9 Foreign Currency Translation

(a) Functional and presentation currency

Items included in the financial statements of the Company and Group are measured in the currency of the primary economic environment in which the Group operates ('the functional currency'). The functional currency of the Company is Australian dollars. The functional currency of the Group's Chinese subsidiaries is Chinese Yuan. These financial statements are presented in Australian dollars, which is the Company and Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are initially translated to Australian 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.

(c) Group companies

The results and financial position of any Company in the Group that has a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that Balance Sheet;

(ii) 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

(iii) 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 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.

2.10 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.

2.11 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.

2.12 Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred by or on behalf of the Company and 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:

(i) Rights to tenure of areas of interest are current; and

(ii) Such costs are expected to be recouped through successful development and production of the area or, alternatively at sale; or

(iii) 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.

Exploration and evaluation assets are not amortised.

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.

2.13 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.

2.14 Income tax

Income Tax

The income tax expense or revenue for the year is the tax payable on the current year's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

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 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.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

2.15 Employee benefits

(a) 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 Accounts Payable – Other, 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.

(b) 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.

(c) 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 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 present value.

(d) 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.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentive received by the lessee) are charged to the income statement on a straight line basis over the period of the lease.

2.17 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.

2.18 Accounts Payable

Accounts payable are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Terms of Trade are payment within 30 days unless otherwise agreed.

2.19 Cash and Cash Equivalents

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.

2.20 Cash Flow Statement

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

Investing cash flows represent cash flows arising from the acquisition and disposal of non-current 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).

CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies in the year.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

The review of capitalised exploration at 31 March 2008 resulted in a write down of $A505,293, This reflects exploration results that did not justify the carrying value of exploration costs.

There has been no write down for impairment of the King Solomon Mines Limited Subsidiaries on the Balance Sheet as the market value of the net assets held by the subsidiaries is calculated as higher than the carrying value.

4. SEGMENT INFORMATION

4.1 Primary reporting format – business segments

As at 31 March 2008, the Group is organised into one main business segment; the activity of exploring and developing gold, copper and other metallic deposits. As there is only one main segment as at 31 March 2008 the disclosures on the face of the Income Statement and the Balance Sheet represent the Group's primary business segment.

4.2 Secondary reporting format – geographical segments

The Group operates its business of exploration in China with the administrative function being performed in New Zealand. Material expenses arose from the geographic segment of China once the Group obtained a business licence on 15 June 2006 to operate in China. Material expenses arose from the geographic segment of Australia once the Group listed on the ASX on 18 April 2007.

	Australia $	New Zealand $	China $	Consolidated $
31 March 2007				
a) Segment revenue from external customers	–	–	–	–
b) Segment assets	10,387,710	269,846	752,726	11,410,282
c) Other segment info:				
Acquisition of property, plant and equipment and other non-current assets	–	19,093	748,999	768,092
Depreciation	–	(4,606)	(232)	(4,838)
Other Income and Expenses		(956,529)	(44,771)	(1,001,300)
Net Loss	**–**	**(961,135)**	**(45,003)**	**(1,006,138)**
31 March 2008				
a) Segment revenue from external customers	–	–	–	–
b) Segment assets	80,032	5,267,851	3,770,097	9,117,980
c) Other segment info:				
Acquisition of property, plant and equipment and other non-current assets	–	39,391	1,742,972	1,782,363
Depreciation	–	(10,611)	(3,578)	(14,189)
Other Income and Expenses	(213,022)	(586,019)	(629,447)	(1,428,488)
Net Loss	**(213,022)**	**(596,630)**	**(633,025)**	**(1,442,677)**

The allocation between geographical segments follows the following process:

a. Assets are recorded under the country in which the asset is located.
b. Depreciation is recorded under the country in which the asset is located.
c. Other Income and Expenses are allocated depending on the source of the transaction.

Expenses incurred by Chinese subsidiaries are recorded as Chinese.

King Solomon Mines Limited Other Income and Expenses incurred in Australia are recorded as Australian.

All other King Solomon Mines Limited Income and Expenses are incurred from New Zealand and recorded as New Zealand.

5. IMPUTATION CREDIT ACCOUNT

	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
Balance at Beginning of Year	7,743	2,431	7,743	2,431
Imputation Credits Received	131	126	131	126
Resident Withholding Tax Paid	67,501	5,186	67,501	5,186
Balance at End of Year	**75,375**	**7,743**	**75,375**	**7,743**

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $

6. CASH AND CASH EQUIVALENTS

	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
Cash at Bank	5,949,101	10,576,524	4,739,263	10,567,450
Short Term Bank Deposits	350,000	–	350,000	–
	6,299,101	**10,576,524**	**5,089,263**	**10,567,450**

7. EXPLORATION AND EVALUATION EXPENDITURE

The Group is still in the exploration phase of its operations in China. All exploration and evaluation expenditure incurred since the grant of a business licence have been capitalised as exploration phase expenditure. This capitalisation is subject to continuous critical review.

As at 31 March 2008 the amount of liabilities arising from the exploration for and evaluation of mineral resources is $131,156 (31 March 2007: $1,135).

No income has been received from the exploration for and evaluation of mineral resources in the current period (31 March 2007: Nil).

	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
Exploration phase costs:				
Deferred geological, geophysical, drilling and other expenditure	2,041,842	670,770	845,095	239,474
Total Exploration and Evaluation Expenditure incurred during the Year	**2,041,842**	**670,770**	**845,095**	**239,474**
The capitalised exploration and evaluation expenditure carried forward has been determined as follows:				
Exploration phase:				
Opening Balance	670,770	–	239,474	–
Expenditure incurred during the Year	2,041,842	670,770	845,095	239,474
Expenditure written off during the Year	(505,293)	–	(67,847)	–
Closing Balance	**2,207,319**	**670,770**	**1,016,722**	**239,474**
The expenditure is allocated over the following prospects:				
Prospect				
Sonid North	68,646	29,530	43,521	11,974
Naogaoshandu	118,617	14,765	70,104	5,987
Beyinhar North	203,312	14,765	134,577	5,987
Marmot	1,145,303	413,418	479,925	167,631
Wuritu	200,000	160,745	200,000	35,921
Amoyitele	–	37,547	–	11,974
Bu Dun Hua	471,441	–	88,595	–
Total Exploration and Evaluation Expenditure	**2,207,319**	**670,770**	**1,016,722**	**239,474**

8. INTANGIBLE ASSETS

PURCHASED SOFTWARE

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
Movements in year				
Opening Net Book Amount	271	–	271	–
Additions	11,691	520	11,691	520
Disposals	–	–	–	–
Foreign Exchange Movement	(6)	–	(6)	–
Amortisation	(2,726)	(249)	(2,726)	(249)
Closing Net Book Amount	**9,230**	**271**	**9,230**	**271**
Amortisation Charges				
Amortisation Charge	(2,726)	(249)	(2,726)	(249)
Amortisation Capitalised	1,945	188	1,945	188
Net Amortisation	**(781)**	**(61)**	**(781)**	**(61)**
Year end Position				
Cost	12,201	520	12,201	520
Accumulated Amortisation	(2,971)	(249)	(2,971)	(249)
Net Book Amount	**9,230**	**271**	**9,230**	**271**

	PARENT			
	Motor Vehicles $	Office Furniture and Equipment $	Plant and Equipment $	Total Property Plant and Equipment $
9. PROPERTY, PLANT AND EQUIPMENT				
Year ending 31 March 2007				
Opening Net Book Amount	–	11,431	33	11,464
Foreign Exchange Movement	–	385	1	386
Additions	–	21,271	405	21,676
Disposals	–	(1,768)	–	(1,768)
Depreciation Charge	–	(5,025)	(156)	(5,181)
Closing Net Book Amount	**–**	**26,294**	**283**	**26,577**
Year ending 31 March 2007				
Depreciation Charge	–	(5,025)	(156)	(5,181)
Depreciation Capitalised	–	468	–	468
Net Depreciation	**–**	**(4,557)**	**(156)**	**(4,713)**
As at 31 March 2007				
Cost	–	32,064	874	32,938
Accumulated Depreciation	–	(5,770)	(591)	(6,361)
Net Book Amount	**–**	**26,294**	**283**	**26,577**
As at 1 April 2007				
Cost	–	32,064	874	32,938
Accumulated Depreciation	–	(5,770)	(591)	(6,361)
Net Book Amount	**–**	**26,294**	**283**	**26,577**
Year ending 31 March 2008				
Opening Net Book Amount	–	26,294	283	26,577
Foreign Exchange Movement	–	(452)	(4)	(456)
Additions	–	24,606	6,395	31,001
Depreciation Charge	–	(12,161)	(1,510)	(13,671)
Closing Net Book Amount	**–**	**38,287**	**5,164**	**43,451**
Year ending 31 March 2008				
Depreciation Charge	–	(12,161)	(1,510)	(13,671)
Depreciation Capitalised	–	1,366	341	1,707
Net Depreciation	**–**	**(10,795)**	**(1,169)**	**(11,964)**
As at 31 March 2008				
Cost	–	56,144	7,268	63,412
Accumulated Depreciation	–	(17,857)	(2,104)	(19,961)
Net Book Amount	**–**	**38,287**	**5,164**	**43,451**

	GROUP			
	Motor Vehicles $	Office Furniture and Equipment $	Plant and Equipment $	Total Property Plant and Equipment $

9. Property, Plant and Equipment cont'd

	Motor Vehicles $	Office Furniture and Equipment $	Plant and Equipment $	Total Property Plant and Equipment $
Year ending 31 March 2007				
Opening Net Book Amount	–	11,431	33	11,464
Foreign Exchange Movement	–	385	1	386
Additions	72,527	22,394	1,880	96,801
Disposals	–	(1,768)	–	(1,768)
Depreciation Charge	(7,177)	(5,150)	(273)	(12,600)
Closing Net Book Amount	**65,350**	**27,292**	**1,641**	**94,283**
Year ending 31 March 2007				
Depreciation Charge	(7,177)	(5,150)	(273)	(12,600)
Depreciation Capitalised	7,177	468	117	7,762
Net Depreciation	**–**	**(4,682)**	**(156)**	**(4,838)**
As at 31 March 2007				
Cost	72,527	33,187	2,349	108,063
Accumulated Depreciation	(7,177)	(5,895)	(708)	(13,780)
Net Book Amount	**65,350**	**27,292**	**1,641**	**94,283**
As at 1 April 2007				
Cost	72,527	33,187	2,349	108,063
Accumulated Depreciation	(7,177)	(5,895)	(708)	(13,780)
Net Book Amount	**65,350**	**27,292**	**1,641**	**94,283**
Year ending 31 March 2008				
Opening Net Book Amount	65,350	27,292	1,641	94,283
Foreign Exchange Movement	(2,042)	(485)	(47)	(2,574)
Additions	182,310	41,359	13,687	237,356
Depreciation Charge	(21,834)	(13,693)	(2,316)	(37,843)
Closing Net Book Amount	**223,784**	**54,473**	**12,965**	**291,222**
Year ending 31 March 2008				
Depreciation Charge	(21,834)	(13,693)	(2,316)	(37,843)
Depreciation Capitalised	21,834	1,366	454	23,654
Net Depreciation	**–**	**(12,327)**	**(1,862)**	**(14,189)**
As at 31 March 2008				
Cost	252,563	73,983	15,988	342,533
Accumulated Depreciation	(28,779)	(19,510)	(3,023)	(51,312)
Net Book Amount	**223,784**	**54,473**	**12,965**	**291,222**

10. EMPLOYEE BENEFIT EXPENSE

The bulk of the Company and Group personnel exploration resource is undertaken by qualified people on longer term arrangements and is initially capitalised as exploration expenditure. These personnel are supported by people at offices in New Zealand and China.

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
Wages and Salaries	19,631	46,978	4,088	41,578
Pension costs – Defined Contribution	9,140	866	–	–
Other Employee Benefits	1,752	1,967	–	–
Total Employee Benefit and Expense	**30,523**	**49,811**	**4,088**	**41,578**
Number of salaried employees recorded as salary and wage expense	7	4	–	1

11. TRANSACTIONS WITH RELATED PARTIES

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

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

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

Payments for consulting fees and reimbursement of expenses were made to Selwyn Management Limited (and in the year to 31 March 2007) to Frontier Mapping Limited being companies in which Bruce Bell (Director and Shareholder) has had an interest. Frontier Mapping Limited changed its name to Black Box Spatial Limited on 25 November 2007.

Payment of director fees and expenses were made to John Quinn, (Director and Shareholder) and to Widespread Limited (Shareholder) for Chris Castle.

Payment of expenses was made to Widespread Limited (Director and Shareholder) for Chris Castle.

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

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

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	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
RELATED PARTY EXPENDITURE				
Bodhi Svaha Holdings Ltd	208,983	140,524	208,983	140,524
Black Box Spatial Limited	–	183	–	183
Di Anna	70,581	–	49,958	–
Fu La	104,585	195,038	21,309	195,038
Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited	144,015	–	144,015	–
John Quinn	65,020	17,251	65,020	17,251
Michael Wilcox	57,794	20,616	57,794	20,616
Selwyn Management Ltd	264,692	122,438	264,692	122,438
Stephen McPhail	37,667	46,577	37,667	46,577
Widespread Limited	35,436	5,778	35,436	5,778
Total Related Party Expenditure	**988,774**	**548,405**	**884,874**	**548,405**
RELATED PARTY RECEIPTS				
Black Box Spatial Limited	–	1,989	–	1,989
Total Related Party Receipts	**–**	**1,989**	**–**	**1,989**
OWING TO RELATED PARTIES				
Bodhi Svaha Holdings Ltd	17,447	19,243	17,447	19,243
Bruce Bell	258	–	258	–
Fu La	–	8,850	–	8,850
Michael Wilcox	17,145	26,564	17,145	26,564
Selwyn Management Ltd	18,602	11,695	18,602	11,695
Stephen McPhail	14,387	9,588	14,387	9,588
Total Owing to Related Parties	**67,839**	**75,940**	**67,839**	**75,940**
OWING BY RELATED PARTIES				
Bruce Bell	3,292	–	3,292	–
Inner Mongolia Plate Mining Limited	–	–	85,656	68,096
Black Box Spatial Limited	–	1,989	–	1,989
Fu La	5,261	–	–	–
Di Anna	6,749	–	–	–
Total Owing by Related Parties	**15,302**	**1,989**	**88,948**	**70,085**

12. SHARE CAPITAL

Issued share capital is represented by:

	GROUP	
	2008 $	2007 $
Issue Price ($)	11,502,308	2,323,781
Opening Number of Shares	40,775,040	2,151,791
Number of Shares Issued	50,000,000	566,545
Share split prior to Listing		38,056,704
Closing Number of Shares	**90,775,040**	**40,775,040**
Average Issue Price ($ per share)	0.13	0.06

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

Share Subscriptions

The Company's Initial Public Offering of 40 million ordinary shares in its capital at an issue price of $0.20 with provision to accept oversubscriptions for an additional 10 million shares was in progress at 31 March 2007.

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
Share Applications Received	–	10,387,967	–	10,387,967
Application expenses	–	(371,090)	–	(371,090)
Net Capital Raising	**–**	**10,016,877**	**–**	**10,016,877**

The Company issued 50 million ordinary shares in its capital at an issue price of $A0.20 on 18 April 2007 to provide additional working capital.

Share Options

Share options totalling 238,000 were granted to Directors and to selected employees on 4 May 2006. The exercise price of the granted options was $NZ1.80. 50% of the options vested immediately on grant date. The remaining 50% were to vest conditional on the employee or director remaining in employment or as a Director with of the Company up to the date of an Initial Public Offering. The remaining 50% were exercisable starting from the date the company is listed on a recognised exchange. The options had a contractual option term of five years commencing from the date the options were granted (4 May 2006). The Company had no legal or constructive obligation to repurchase or settle the options in cash.

The fair value per option granted during the year ended 31 March 2007 determined using the binomial valuation model was $1.1537 per option, giving a total fair value for all of the options granted of $NZ274,580 ($A243,003). The significant inputs into the model were share price of $NZ1.80 at the grant date, exercise price of $NZ1.80, option life disclosed above, annual risk-free interest rate of 5.93% and an expected dividend yield of nil. The expected future share price volatility is 76% and is based on an analysis of seven listed Australian mining companies.

Out of the 238,000 outstanding options, 119,000 were exercisable as at 31 January 2007. The above terms were revisited on 2 February 2007 in light of the share split and anticipated Initial Public Offering. Contingent upon successful listing on the ASX, the number of existing options was increased to 4,929,999 at $A0.30 each.

Also contingent on successful listing on the ASX, a further 1,350,000 options were issued on 2 February 2007 to Directors on the same terms and 500,000 options to the lead broker (Cameron Sharebrokers Limited) at an issue price of $A0.25 and a term of 2 years after listing.

The fair value per option granted determined using the binomial valuation model was $A0.081626 for options issued to Cameron Sharebrokers Limited and $A0.108799 per option, issued to Directors giving a total fair value for all of the options granted of $A187,692. The significant inputs into the model were share price of $A0.20 at the grant date, exercise price and option life disclosed above, annual risk-free interest rate of 6.08% for Directors' options and 6.13% for the Cameron Sharebrokers Limited options and an expected dividend yield of nil. The expected future share price volatility remains at 76% and is based on an analysis of seven listed Australian mining companies.

Movements in the number of share options outstanding under this scheme and their related exercise prices are as follows:

	31 March 2008		31 March 2007	
	Average exercise price in $A per share	Options	Average exercise price in $A per share	Options
At 1 April 2006	–	–	–	–
At 1 April 2007	0.30	6,279,999	–	–
At 1 April 2007	0.25	500,000	–	–
Granted	–	–	0.30	4,929,999
Granted	–	–	0.30	1,350,000
Granted	–	–	0.25	500,000
Forfeited	–	–	–	–
Exercised	–	–	–	–
Lapsed	–	–	–	–
Total Share Options	**0.30**	**6,779,999**	**0.30**	**6,779,999**

The value of the options issued was $430,695. Of this amount $359,320 was recognised in the year ending 31 March 2007. When the options finally vested upon successful listing, the remaining fair value of $71,375 was recognised.

13. INVESTMENT IN SUBSIDIARIES

NAME OF SUBSIDIARY	PRINCIPAL ACTIVITY	EQUITY HOLDING 2008	EQUITY HOLDING 2007
King Solomon Sonid Limited	Dormant	–	100%
Gold Exploration Services China Limited	Dormant	–	100%
Inner Mongolia Plate Mining Co Limited	Exploration	90%	90%
Chifeng Tianfeng Mineral Co. Limited	Exploration	85%	–

The Company owned two subsidiary companies King Solomon Sonid Limited and Gold Exploration Services China Limited which were incorporated in New Zealand and had balance dates of 31 March. Both subsidiaries had not traded, nor had any assets and liabilities at 31 March 2007 or during the year ended 31 March 2008. Both subsidiaries were deregistered on 18 September 2007.

On 8 March 2006, King Solomon Mines Limited and Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited signed an agreement to form Inner Mongolia Plate Mining Limited, a sino foreign equity joint venture of which King Solomon Mines Limited owns 90% and Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited holds 10% in trust for King Solomon Mines Limited due to Chinese regulatory requirements.

As King Solomon Mines Limited effectively owns 100% of this subsidiary and retains all the risks and rewards of ownership, the Company has not accounted for any minority interest.

King Solomon Mines Limited paid all of the costs of Inner Mongolia Plate Mining Limited during the year ended 31 March 2006 as the subsidiary was awaiting the formal issue of the business licence. A business licence was granted to Inner Mongolia Plate Mining Limited on 15 June 2006. Since that time, Inner Mongolia Plate Mining Limited has undertaken exploration activity on its own behalf.

In May 2007, the Inner Mongolia Plate Mining Limited share capital was increased from 3,000,000 Chinese Yuan ($470,087) to 21,000,000 Chinese Yuan ($3,290,608).

Inner Mongolia Plate Mining Co Limited entered into an agreement on 25 May 2007 to acquire 85% of the shares in Chifeng Tianfeng Mineral Co. Limited, whose sole assets are 3 exploration licences in the Chifeng mineral district of Inner Mongolia. The remaining 15% is held by King Solomon Mines Limited director Fu La under a trust agreement for King Solomon Mines Limited. The total cost was 2,500,000 Chinese Yuan or $387,921.

Both Chinese subsidiaries have a balance date of 31 December in line with Chinese requirements.

14. EARNINGS PER SHARE

Basic

Basic earnings per share is calculated by dividing the deficit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the year.

The Company and Group recorded losses for the years ended 31 March 2007 and 31 March 2008. Diluted earnings per share has not been calculated because the effect of including the share options in the calculation would be anti-dilutive. Hence the diluted earnings per share is the same as the basic earnings per share.

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
Deficit attributable to equity holders of the Company	(1,442,677)	(1,006,138)	(811,006)	(961,242)
Weighted average number of ordinary shares on issue	88,452,636	36,923,535	88,452,636	36,923,535
Basic earnings per share ($ per share)	(0.02)	(0.03)	(0.01)	(0.03)

15. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The Company and Group leases property in New Zealand and China and has entered into four non cancellable operating leases terminating between 31 May 2010 and 1 April 2013. The lease expiring in New Zealand on 31 May 2010 has an automatic right of renewal for a further 2 years. In addition, the Group has the first call when its leases come up for renewal in China.

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $
Lease Commitments are:				
Not later than one year	70,847	48,037	41,365	28,762
Later than one year and not greater than two years	75,502	7,191	41,365	7,191
Later than two year and not greater than five years	47,905	–	7,561	–
Total Lease Commitment	**194,254**	**55,228**	**90,291**	**35,953**

The Group had no other commitments, nor contingent assets or liabilities at 31 March 2008 (31 March 2007: Nil).

16. RECONCILIATION OF FINANCIAL PERFORMANCE AND OPERATING CASH FLOW

	GROUP 2008 $	GROUP 2007 $	PARENT 2008 $	PARENT 2007 $
(Deficit) for Year	(1,442,677)	(1,006,138)	(811,006)	(961,242)
Non Cash Items				
Amortisation	781	61	781	61
Depreciation	14,189	4,838	11,964	4,713
Share Options	71,375	359,320	71,375	359,320
Foreign Currency Translation Movement	(35,940)	(49,975)	–	–
Foreign Exchange	378,628	(109)	297,790	633
Write Off of Exploration Expenditure	505,293	–	67,847	–
Movement in Working Capital				
Other Receivables – Related Parties	(13,313)	(1,989)	(18,863)	(1,989)
Other Receivables – Other	(130,879)	(40,764)	(130,879)	(40,764)
Prepayments	(98,482)	5,896	562	5,896
Accounts Payable – Related Parties	(8,101)	51,317	(8,101)	51,317
Accounts Payable – Other	(38,609)	189,264	(121,277)	187,004
Share Subscriptions	(10,016,877)	10,016,877	(10,016,877)	10,016,877
Items classified as Investing Activities				
Disposal of Fixed Assets	–	1,998	–	1,739
Increase in Accounts Payable for Exploration	140,233	–	59,575	–
Foreign Exchange Impact on Advance to Subsidiary	–	–	–	7,334
Items classified as Financing Activities				
Flotation Expenses	(286,571)	286,571	(286,571)	286,571
Shares Yet to be Issued	10,387,966	(10,387,966)	10,387,966	(10,387,966)
Net Cash used in Operating Activities	**(572,984)**	**(570,799)**	**(495,714)**	**(470,496)**

	GROUP		PARENT	
	2008 $	2007 $	2008 $	2007 $

17. INCOME TAX EXPENSE

Net Deficit before Tax	(1,442,546)	(1,006,012)	(810,875)	(961,116)
Prima facie tax benefit at 33%	476,040	331,984	267,589	317,168
Imputation Credit	131	126	131	126
Future tax benefits not brought to account	**476,171**	**332,110**	**267,720**	**317,294**

Following the allocation of the shares relating to the Initial Public Offering, losses prior to the year ending 31 March 2008 will be forfeited as a result of the company not meeting the continuity of shareholder criteria.

Current year tax losses are available to carry forward subject to agreement by the Inland Revenue Department and shareholder continuity criteria being met. The future tax benefit of these losses has not been recognised as the realisation of this benefit was not probable.

The New Zealand company tax rate changed from 33% to 30% effective 1 April 2008. The tax benefit carried forward will reduce to:

Prima facie tax benefit at 30%	432,764	331,984	243,263	317,168
Imputation Credit	131	126	131	126
Future tax benefits not brought to account	**432,895**	**332,110**	**243,394**	**317,294**
Reduction in tax benefit due to reduction in tax rate	**43,276**		**24,326**	

18. FEES PAID TO AUDITORS

Fees payable to the principle auditors for audits of the King Solomon Mines Limited financial statements amounted to $35,066 (2007: $13,755). Fees were payable to the principle auditors for preparation of their files for review as part of the validation process for the prospectus lodged with the ASX were nil (2007: $871).

Fees payable to other auditors for the audit of Inner Mongolia Plate Mining Limited amounted to $7,318 (2007 $462).

19. EXPOSURE TO RISK

Exposures to credit, foreign currency, interest rate and liquidity risks arise in the normal course of business.

Credit risk

Financial instruments which potentially expose the Group to credit risk principally consist of bank deposits and receivables.

Deposits held with major New Zealand banks are not considered to be at significant risk. Chinese Yuan are required to be held with a Chinese bank. These are not considered to be at significant risk for the Group as the bank is considered secure and most of these funds are being held on a short term basis for payment of exploration expenditure.

The receivables are principally withholding tax deducted from interest receipts, GST and accrued interest. The counterparties are considered secure and the funds are accessible after filing the appropriate returns within required timeframes.

Currency risk

The Group is exposed to fluctuations in foreign currency exchange rates as a result of maintaining foreign currency denominated bank accounts and entering into foreign currency transactions. The exposure to currencies of the Group is as follows:

	31 March 2008 $	31 March 2007 $
United States dollar	2,775,088	7,906
New Zealand dollar	862,754	98,738
Australian dollar	1,743,070	10,467,036
Chinese Yuan	926,561	9,073
Total Total Currency Exposure	**6,307,473**	**10,582,753**

The Group incurred a loss in the year ended 31 March 2008 due in part to the appreciation of the Australian dollar relative to the United States dollar, the New Zealand dollar and Chinese Yuan.

The potential impact on the bank accounts of movements in foreign currency exchange rates is indicated below:

Potential Foreign Exchange Rate Fluctuation	1% $	5% $	10% $
Impact on valuation of holding in:			
United States dollar	27,751	138,754	277,509
New Zealand dollar	8,628	43,138	86,275
Chinese Yuan	9,266	46,328	92,656
Total Impact of potential change in exchange rate	**45,644**	**228,220**	**456,440**

Interest rate and liquidity risks

The Group receives interest on its bank deposits. The deposit has a maturity period of 30 days (2007: All deposits were on call). As such interest rate and liquidity risks are not considered to be significant. The impact of potential changes of interest rate is illustrated below:

Potential Interest Rate Fluctuation	1% $	2% $
Impact of potential interest rate movement		
United States dollar	27,751	55,502
New Zealand dollar	8,628	17,255
Australian dollar	17,431	34,861
Chinese Yuan	9,266	18,531
Total Impact of potential change in interest rate	**63,075**	**126,149**

Capital Requirements

The Company and Group did not have any externally imposed capital requirements as they did not have borrowings.

Fair value

The fair value of all financial instruments is not materially different from the carrying value.

Directors' Disclosures

Directors Holding Office

The following directors have held office during the period.

Bruce Bell	Appointed 28 January 2003
Stephen McPhail	Appointed 28 January 2003
Fu La	Appointed 5 May 2004
Chris Castle	Appointed 31 October 2005
John Quinn	Appointed 2 February 2007

Directors' Shareholding

As at 31 March 2008, the following Directors had the following relevant interests in shares in King Solomon Mines Limited.

	Beneficial	Non-Beneficial
Fu La	7,500,000	–
Stephen McPhail	4,830,000*	1,050,000**
Bruce Bell	3,750,000	–
Chris Castle	100,000	10,000,000***
John Quinn	500,000****	–

* 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 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 Bodhi Svaha holdings limited ("BSHL"). He is also the sole director of BSHL.

** Stephen McPhail's non-beneficial interest comprises 1,050,000 Shares which he holds as a trustee of the Wilcox Arcadian Trust.

*** Chris Castle has a relevant interest in 10,000,000 Shares which relates to the 2,724,750 Shares owned by Widespread Limited and the 7,275,250 Shares in Mineral Investments Limited as Christopher Castle is the managing director of both of these companies. Widespread Limited and Mineral Investments Limited are wholly owned by Widespread Portfolios Limited of which Chris Castle is a shareholder and the managing director.

**** John Quinn is a trustee and a member of the Quinn Superannuation Fund which owns 500,000 Shares.

Disclosure of Directors' Share Dealings

Chris Castle has a relevant interest in the following share dealings of Minerals Investments Limited ("MIL"):

- On 8 May 2007 MIL purchased 996,166 Shares at $0.23 per Share
- On 25 July 2007 MIL purchased 1,105,232 Shares at $0.214 per Share
- On 6 August 2007 MIL purchased 545,512 Shares at $0.211 per Share
- On 20 March 2008 MIL purchased 900,000 Shares at $0.14 per Share

Disclosure of Directors' Share Options

As at 31 March 2008, options issued to directors were as follows:

Fu La	1,553,571
Stephen McPhail	1,553,571
Bruce Bell	1,553,571
Chris Castle	350,000
John Quinn	1,000,000

The options have an exercise price of $0.30 and an expiry date of 4 May 2011.

Independent Auditor's Report

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Auditors' Report

to the shareholders of King Solomon Mines Limited

We have audited the financial statements on pages 19 to 40. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 31 March 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 23 to 27.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2008 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgments made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 19 to 40:

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Company and Group as at 31 March 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 June 2008 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants **Wellington**

Corporate Governance Statement

Corporate Governance

The Board of Directors of King Solomon Mines Ltd (KSO) is responsible for corporate governance and strives for high standards in this regard. The Board monitors the business and affairs of KSO on behalf of the shareholders by whom they are elected and to whom they are accountable. The Board draws on relevant best practice principles particularly those issued by the ASX Corporate Governance Council in March 2003. At a number of its meetings the Board examined the KSO corporate governance practices and the progress towards a review of its practice compared to the best practice principles proposed by the ASX Corporate Governance Council. While KSO is attempting to adhere to the principles proposed by ASX, it is mindful that there may be some instances where compliance is not practicable for a company of KSO's size.

The March 2003 Australian Stock Exchange Corporate Governance Council publication "Principles of Good Corporate Governance and Best Practice Recommendations" is for guidance purposes, however all listed companies are required to disclose the extent to which they have followed the recommendations; to identify any recommendations that have not been followed; and reasons for not doing so. The Company's Board of Directors has reviewed the recommendations. In many cases the Company was already achieving the standard required. In other cases the Company will have to consider new arrangements to enable compliance. In a limited number of instances, the Company may determine not to meet the standard set out in the recommendations, largely due to the recommendation being considered by the Board to be unduly onerous for a company of this size.

The following paragraphs set out the Company's position relative to each of the 10 principles contained in the ASX Corporate Governance Council's report.

Principle 1: Lay solid foundations for management and oversight

The Company has a small Board of five Directors (two Non-Executive Director plus the Managing Director, Exporation Director and a third Executive Director) and a small team of people, so roles and functions have to be flexible to meet specific requirements.

The Board's role includes the following:

- Setting and reviewing the vision, goals and strategy;
- Approving the annual strategic plan and major operating plans;
- Approving budgets;
- Reviewing and providing feedback on the performance of the Managing Director;
- Reviewing the performance of the Board and individual directors;
- Reviewing the half-year and full year financial statements and reports and quarterly cash-flow statements;
- Determining policies and ensuring adequate procedures are in place to manage the Identified risks;
- Having regard to the size of the company the full Board will carry out the functions sometimes delegated to a nominations committee and remuneration committee.

The role of the Chairman includes:

- Vision/Strategy. Ensures leadership in setting and reviewing vision;
- Board meetings. Setting agenda with the Managing Director/Company Secretary, ensures directors receive all relevant information, chairs meetings and deals with conflicts;
- AGM. Chairs the AGM and ensures shareholders as a whole have an opportunity to speak on relevant matters, ensures audit partner attends;
- External. Spokesperson with the Managing Director, on company matters;
- Managing Director. Primary point of contact between the Board and External;
- Managing Director. Kept fully informed on major matters by the Managing Director, chairs the performance appraisal of the Managing Director and provides mentoring;
- Board. Initiates Board and committee performance appraisal, ensures agreed composition is maintained and director induction plans are in place.

The CEO's responsibilities and duties include:

- Vision/Strategy. Formulating with the Board the vision and strategy, developing action plans to achieve the vision and reporting regularly to the Board on progress;
- Management team and employees. Providing leadership, appointing and negotiating terms of employment of senior executives (with the Board approval where necessary). developing a succession plan, ensuring procedures are in place for education and training to ensure compliance with laws and policies;
- Successful implementation of the Company's exploration programme;
- Board. Responsible for bringing all matters requiring review/approval to the Board. advising on the changes in risk profile, providing certification regarding the financial statements for the half-year and full year, reporting to the Board on a monthly basis the performance of the Company and for ensuring education of Directors on relevant matters.

Principle 2: Structure the Board to add value

The Company complies with most of the recommendations within this area as the Chairman is independent; separate from the Managing Director. The Company does not comply with the recommendation that a majority of Directors are independent, because three are Executive Directors. It does not comply because it would be too onerous for a Company of its size and stage of development. The Company does not have a Board nomination committee.

One of the Company's five Directors is the Non-Executive Chairman of Directors and he has not undertaken "material" consultancy work for the Company within the past three years. Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

A director may be elected for a term of a maximum of three years. To ensure a gradual and controlled movement of directors, the longest serving one-third of all directors (rounded down to the nearest whole number) is expected to retire at each AGM, but shall be eligible for re-election.

Principle 3: Promote ethical and responsible decision-making

The Company does not have a formal code of conduct, again reflecting the Company's size and the close interaction of individuals throughout the organisation.

The Board's policy is for the Directors and management to conduct themselves with the highest ethical standards. All Directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Company has a policy concerning trading in its securities by Directors, management, staff and significant consultants as follows:

KSO complies with the Continuous Disclosure requirements of the ASX listing rules and accordingly the market is kept fully and currently informed about all material matters which might affect trading in the Company's securities. Purchases or sales in the Company's shares by Directors, employees and key consultants should preferably be carried out in the "window", being the period commencing two days and ending 30 days following the date of announcement of the Company's annual or half yearly results, its quarterly reports or a major announcement leading in the opinion of the board to an informed market. Trading outside a trading window by Directors, employees and key consultants must only occur after consultation with the Chairman of the Board or the Managing Director. Directors, employees and key consultants are prohibited from buying or selling KSO shares at any time if they are aware of price sensitive information that has not been made public.

Principle 4: Safeguard integrity in financial reporting

The Company periodically reviews its procedures to ensure compliance with the recommendations set out under this principle.

Senior management confirms that the financial reports represent a true and fair view and are in accordance with relevant accounting standards. The Managing Director and the Chief Accountant state in writing to the Board that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company are in accordance with relevant accounting standards.

The Company has an Audit Committee with a formal charter approved by the Board.

The Audit Committee consists of the Non-Executive Directors Mr Quinn and Mr Castle (Audit Committee Chairman) and Executive Director Mr Bell. These Directors have applicable expertise and skills for the Audit Committee. This structure meets the ASX's guidance regarding independence, in that the majority are independent Directors and have at least three members and the Committee Chairman should not be the Chairman of the Board. The structure does not meet the requirement of all members being non-executive. This is a result of the company having a small board with three executive and 2 non-executive members. In order to have 3 members on this committee, it was necessary to include an executive director – in this case Mr. Bell who has the least involvement of the executive directors in the financial management of the company. As the board adds additional non-executive directors, it is envisaged that Mr Bell will be replaced with a non-executive director. The Audit Committee reports to the Board after each Committee meeting. In conjunction with the full Board, the Committee reviews the performance of the external auditors (including scope and quality of the audit).

Principle 5: Make timely and balanced disclosure

The Company, its Directors and staff are very aware of the ASX's continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure to the market. The Company has a formal written policy regarding disclosure.

Principle 6: Respect the rights of shareholders

All significant information which will be disclosed to the ASX will be then posted on the Company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Company's operations, the material used in the presentation is released to the ASX and posted on the Company's website. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed, and if so, this information is also immediately released to the market.

Whilst the Company does not have a communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies, the Company does communicate regularly with shareholders. The Company has requested the external auditor to attend general meetings and this has been supported by the Company's audit partner at PwC.

Principle 7: Recognise and manage risk

The Company is a small exploration company and does not believe that there is significant need for formal policies on risk oversight and management of risk. Risk management arrangements are the responsibility of the Board of Directors and senior management collectively and Risk Factors is a standing agenda item at Board meetings.

Principle 8: Encourage enhanced performance

The Company has a Remuneration Committee of the two Non-Executives of the Company which meets as and when required, to review performance matters and remuneration. There has been no formal performance evaluation of the Board during the past financial year, although its composition is reviewed at a Board meeting at least annually. The Directors work closely with management and have full access to all the Company's files and records.

Principle 9: Remunerate fairly and responsibly

Directors believe that the size of the Company makes individual salary and contractor negotiation more appropriate than formal remuneration policies. The Remuneration Committee will seek independent external advice and market comparisons as necessary. In accordance with reporting requirements, the Company discloses the fees or salaries paid to all Directors, plus the highest paid officers.

Principal 10: Recognise the legitimate interests of stakeholders

The Company intends to adopt a formal code of conduct to guide compliance with legal and other obligations. The Board of Directors continues to review the situation to determine the most appropriate and effective operational procedures.

The Company has commenced its review of the Corporate Governance Principles and Recommendations 2nd Edition dated August 2007 whereby the principles are now summarised under 8 Principles. The Company will comment in detail on this review in the 2009 Annual Report.

Voting Rights

There are no restrictions on voting rights. On a show of hands every member present or by proxy shall have one vote and upon a poll each share shall have one vote. Option holders have no voting rights until the options are exercised.

Statement Under ASX Listing Rule 4.10.19

For the 12 months period ending 31 March 2008, the Company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with that set out in the Company's replacement prospectus dated 26 February 2007.

Australian Corporations Act and acquisition of shares

The company is not subject to Chapters 6, 6A, 6B and 6C of the Australian Corporations Act dealing with the acquisition of shares (including substantial holdings and takeovers).

Shareholder Information

Information relating to shareholders at 30 May 2008 (per ASX listing rule 4.10)

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders	Shareholding
Fu La	7,500,000
Mineral Investments Limited*	10,000,000
Widespread Limited*	10,000,000
Stephen McPhail	4,830,000

** Mineral Investments Limited and Widespread Limited are regarded as associates for the purpose of disclosure under the substantial shareholders provisions of the Corporations Act and accordingly both have a relevant interest in the 10,000,000 shares.*

Number of ordinary shares held	Number of Holders	Ordinary Shares
1–1,000	3	1,021
1,001–5,000	57	194,006
5,001–10,000	137	1,295,264
10,001–100,000	387	16,123,579
100,001–and over	121	73,161,170
Total	**705**	**90,775,040**

Based on the market price at 30 May 2008 there were 20 shareholders with less than a marketable parcel of 2,565 shares.

Top 20 Holders of Ordinary Shares

Name of Shareholder	Shares	% Shares Issued
Fu La	7,500,000	8.26
HSBC Custody Nominees (Australia) Limited	5,050,000	5.56
Mr Stephen McPhail and Mr Michael Wilcox	4,080,000	4.49
Mr Alan Bruce Bell	3,750,000	4.13
Mineral Investments Limited	3,728,340	4.11
Forbar Custodians Limited	3,621,410	3.99
WJM Custodians Ltd	2,738,162	3.02
Widespread Limited	2,724,750	3.00
Glenlora Trustees Limited	1,855,710	2.04
Mr Christopher James	1,500,000	1.65
Ms Sandra Standage	1,437,495	1.58
Mr Tony Adams	1,265,000	1.39
Golden Horshoe Limited	1,100,000	1.21
Mr Michael Wilcox and Mr Stephen McPhail	1,050,000	1.16
UBS Nominees Pty Limited	1,038,623	1.14
Mr Jeremy McPhail	1,028,560	1.13
Tasman Portfolio Limited	900,000	0.99
Ms Molly Ah Chee and Mr Raeburn Ah Chee and Mr Andrew Yee	750,000	0.83
Bodhi Svaha Holdings Limited	750,000	0.83
Mr Brian Pilkington and Ms Suzanne Pilkington and Mr Anthony Ivanson	708,900	0.78
Total of top 20 holdings	46,576,950	51.31
Other holdings	44,198,090	48.69
Total fully paid shares issued	**90,775,040**	**100.00**

Options

Name of option holder	Shares option holder 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
John Quinn	1,000,000	$0.30	04 May 2011
Chris Castle	350,000	$0.30	04 May 2011
Anna Di	269,286	$0.30	04 May 2011
Cameron Stockbrokers Limited	500,000	$0.25	18 April 2009
	6,779,999		

Restricted Securities

The number and class of restricted securities that are on issue, and the date escrow ends are as follows:

15,981,450 shares are escrowed until 18 April 2009; rights to be issued 6,799,999 shares are escrowed until 18 April 2009.

Corporate Directory

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 and Administrative Office

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