



King Solomon Mines Limited

CHAIRMAN'S ADDRESS

29 July 2011

Ladies and Gentlemen

It doesn't seem to be that we met in this room 11 months ago, but time flies by so quickly and here we are again. So much has happened in the world in that time but many of the underlying drivers to which I referred last year remain as relevant to your investment in King Solomon Mines Limited today as they were then.

The European Monetary Zone appears to be going from crisis to crisis. Italy is the latest casualty of irresponsible fiscal policies to be causing concern. We have now observed multiple bail outs for the Greeks, and concerns continue about the well being of the Portugeses, Irish and Spanish economies. The European Union, led by the Germans, have been able to stitch up running repairs in a desperate attempt to minimise the damage to the Euro. How long the hard working German taxpayers are prepared to throw good money after bad to subsidise Greeks in early retirement is moot. In my opinion that can't go on for long and the responsible Europeans will have to either write off the loans or cut off the Greeks and others who won't pay their own way. However this fiasco works out, the status and relative value of the Euro must be diminished.

The unsatisfactory state of the US Governments finances has also been highlighted with the fight between the President and the Congress over debt limits; putting the relative value of the US dollar under pressure. The US debt problems are not as severe as is the European crisis, but they will take time to resolve.

In the meantime, China powers ahead at GDP growth rates that remain the envy of all other countries.

How are these macroeconomic factors relevant to King Solomon Mines Limited? The answer is to look at the impact of these factors on the commodities that we are exploring for in Inner Mongolia.

The erosion of the value of the two major trading currencies, the US dollar and the Euro, follows a long history of value destruction of man made currencies by incompetent governments. The beneficiary of the demise of these currencies has been the re-emergence of gold as a defensive investment. The gold price has risen nearly 70% over the last two years to nearly \$US1600 an ounce.

Chinese demand has been the principal driver of base and ferrous metal prices for years. The COMEX copper price is about \$US4.40 per lb. This represents a rise of more than 75% over the same two year period.



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Gold and copper are the two primary commodity targets for King Solomon Mines Limited. I see no reason to believe that strong demand for both products will not be sustainable based on both long term demand and inelastic supply considerations.

I am pleased to be able to report that your Company has made good headway on a number of fronts during the last 11 months.

On the exploration front, we are seeing some interesting gold values coming from the Mudhouse prospect near Sonid Zuoqi. We have also identified other gold anomalies in this highly prospective area. I have commented at previous Shareholder Meetings that there was a lot of gold smoke under the Gobi Desert near Sonid Zuoqi. We are, perhaps, now seeing some embers on our tenements. Let's hope that further drilling will fan those embers into a raging fire.

We continue to be enthusiastic about the large porphyry system at Bu Dun Hua. We have several diamond rigs on that site drilling both medium depth stratigraphic holes and deeper exploratory targets. We have not seen any mineralisation of potential commercial significance as yet. But we continue to see all the right signals and must persist, using the information from that drilling, to try to vector in on those parts of the system most likely to host economic mineralisation.

Shareholders need to understand that King Solomon Mines has not done a great deal of drilling at BDH to date when compared to the discovery history of other great porphyry deposits. Take the nearby mega discovery at Oyu Tolgoi in the Republic of Mongolia. BHP started exploration at Oyu Tolgoi in 1996 and withdrew after three field seasons and considerably more drilling than we have completed at BDH. Ivanhoe inherited the property and did not drill the real discovery hole until July 2001. The lesson is that persistence as well as good exploration technology is required with these large systems.

In addition to positive field advances, the Company successfully replenished its treasury with two placements and Share Purchase Plan. The success of the placements was a strong endorsement by new investors of our potential. The support by Shareholders for the SPP was much appreciated by your Board. These initiatives were well handled by your Managing Director, Stephen McPhail and raised in aggregate about \$5 million.