



King Solomon Mines Limited

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2011

- **Positive results at Bu Dun Hua**
- **Unfinished business at Mud-house**

BU DUN HUA PORPHYRY COPPER PROJECT (King Solomon 100%)

The season ended with positive results from BDH028, a 508m diamond drill-hole targeting the circular **Ghenghis** magnetic anomaly.

The hole was one of a series of widely-spaced 60° angled holes scouting for porphyry-related copper mineralisation within the BDH tenement but outside of the **Whitehorse** porphyry copper-molybdenum prospect. From approximately 150m down-hole to end-of-hole at approximately 440m below surface, it encountered numerous intercepts of strongly anomalous copper and widespread anomalous gold hosted in rhyolite porphyry or breccia. The intercepts vary in width depending on intercept cut-offs. The best individual 2m sample assayed 0.15% Cu and 0.196g/t Au. Over 100m from 170m down-hole there are 20m of intercepts averaging 521ppm Cu and 0.05g/t Au.

BDH028 is particularly encouraging because it is associated with an eastward trend from Whitehorse (prefaced by BDH025) of

- increasing sulphide levels;
- increasing veining intensity;
- increasing background gold levels;
- increasing potassic alteration indicators and
- decreasing intensity of phyllic (quartz-sericite) alteration over-print.

This hole has yielded the most significant appearance of porphyry-related copper and gold mineralisation to date at BDH, and has provided positive vectors on favourable mineralisation and alteration trends.

BDH028 was terminated by severe weather conditions rather than by a drop-off in favourable mineralisation and alteration indicators. The hole was exploring the northwest quadrant of the **Ghenghis** target and merits follow-up by another hole targeting the southeast quadrant and extending deeper into the core section. In addition, the scout program has not yet been completed and the remaining holes at **Whitehorse Extended**, **Northern Deeps** and **Eastern Deeps** are all located within the promising eastward trend. A four to five hole program is currently being planned.

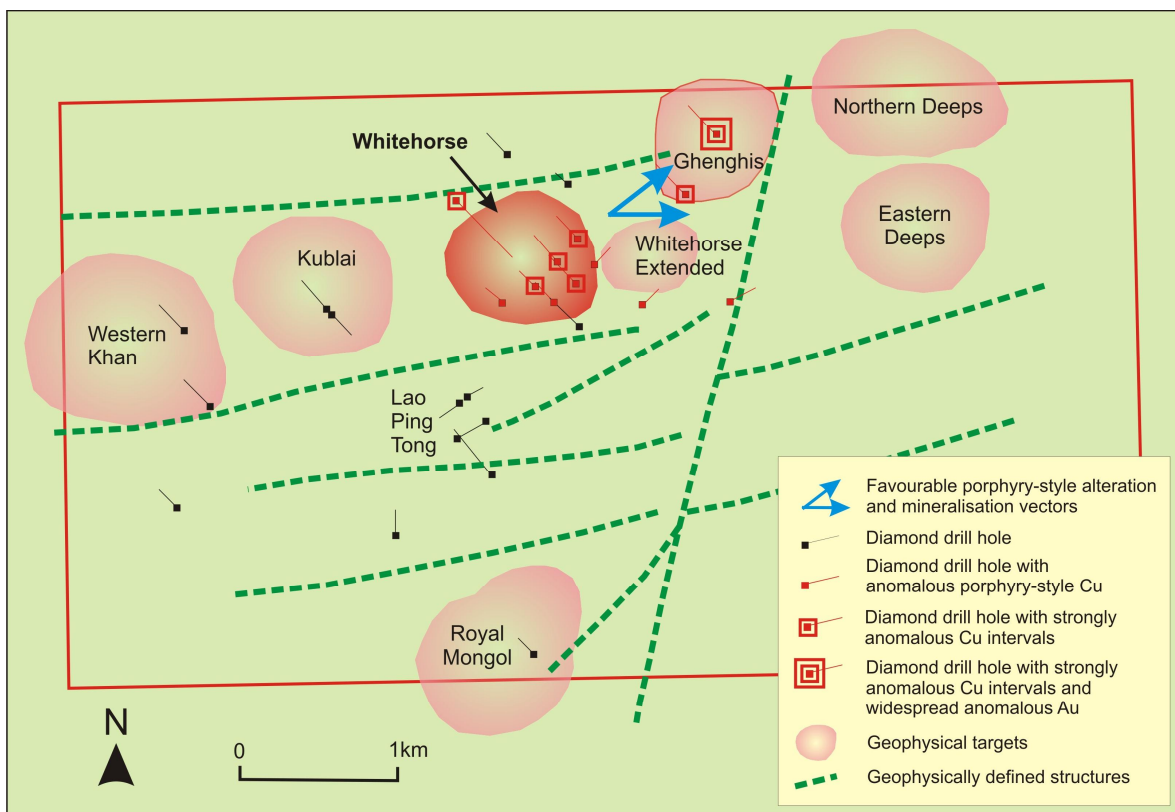


Fig. 1 Geophysical targets and drill holes completed to date showing favourable alteration and mineralisation trends

The **Ghenghis** anomaly is similar in size and shape to **Whitehorse** i.e. roughly circular with a diameter in the order of 700m. Both the **Eastern** and **Northern Deeps** anomalies are significantly larger and are without surface exposure. **Ghenghis** has very limited surface exposure. Any one of these targets has the underlying space available to host a > 100Mt porphyry deposit.

SONID NORTH GOLD PROJECT (King Solomon 100%)

The second diamond drilling program at **Mud-house** was completed early in November on time and within budget. Twelve holes (SND010 to SND021) were drilled for 3,650m. All but one of the holes (BDH021) were drilled at 50° toward the north-northeast on one or other of five section lines across a 1km section of the open-ended 1.8km **Mud-house** gold-in RAB anomaly. BDH021 was located approximately 500m further southward to investigate a potential parallel trend suggested by ground magnetic signature.

The mineralisation at **Mud-house** is complex. There are at least two phases present - an early gold ± arsenic ± base metal orogenic phase and a later gold ± arsenic ± silver epithermal phase. Veins of the latter are generally of better grade and occur in sericite-pyrite alteration envelopes. A variety of vein styles and orientations makes interpretation difficult and current work is aimed at trying to establish vectors and/or identify structures with potential to host economic mineralisation. It is already clear that the proportion of epithermal style veins is increasing toward the east where cover is thickening and the mineralisation trend remains wide open.

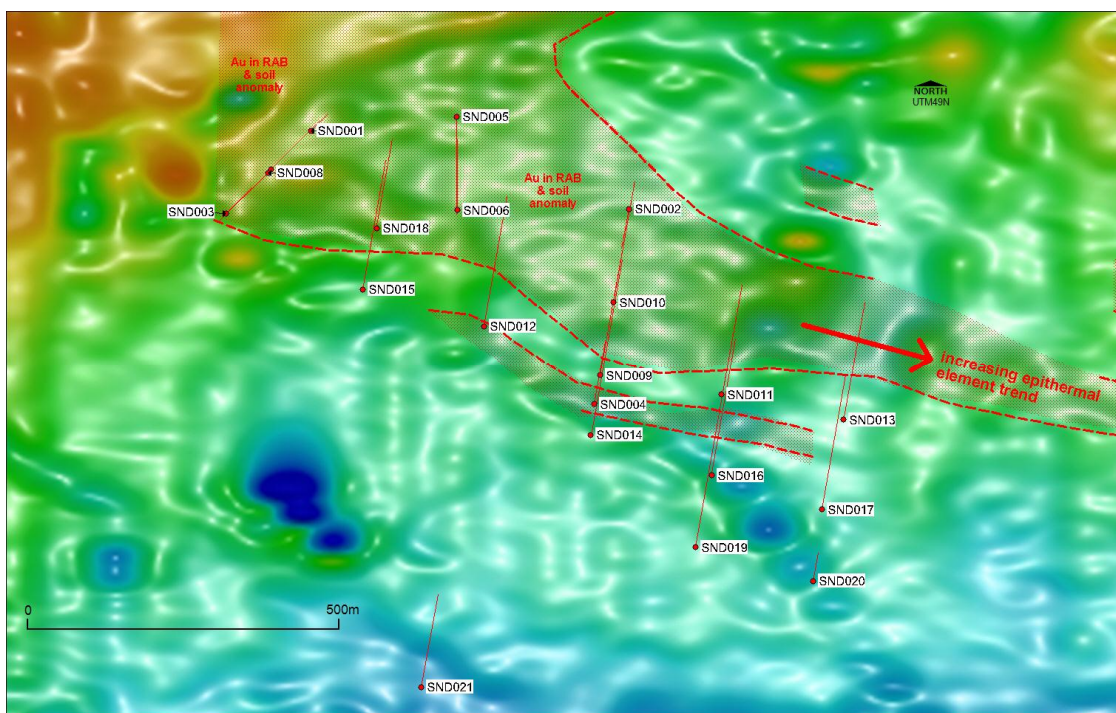


Fig. 2 Mud-house prospect showing diamond drill-hole collars and azimuth traces on RTP Magnetic background. Anomalous Au in RAB and soil represented by red stippling.

The package has still only been investigated under the central section of the surface anomaly and to no more than 300m down-dip or a maximum of 350m below surface. The mineralisation remains open both down dip and along strike. Encouraging features for ongoing exploration include:

- the presence of favourable host rocks (granite, rhyolite and quartz diorite porphyries);
- the presence of major circular and linear structures identified by satellite imagery and/or ground magnetics;
- the presence of more, as yet untested, gold anomalies;
- the presence of epithermal style crustiform and colliform textures;
- the encouraging open-to-the-east epithermal trend.

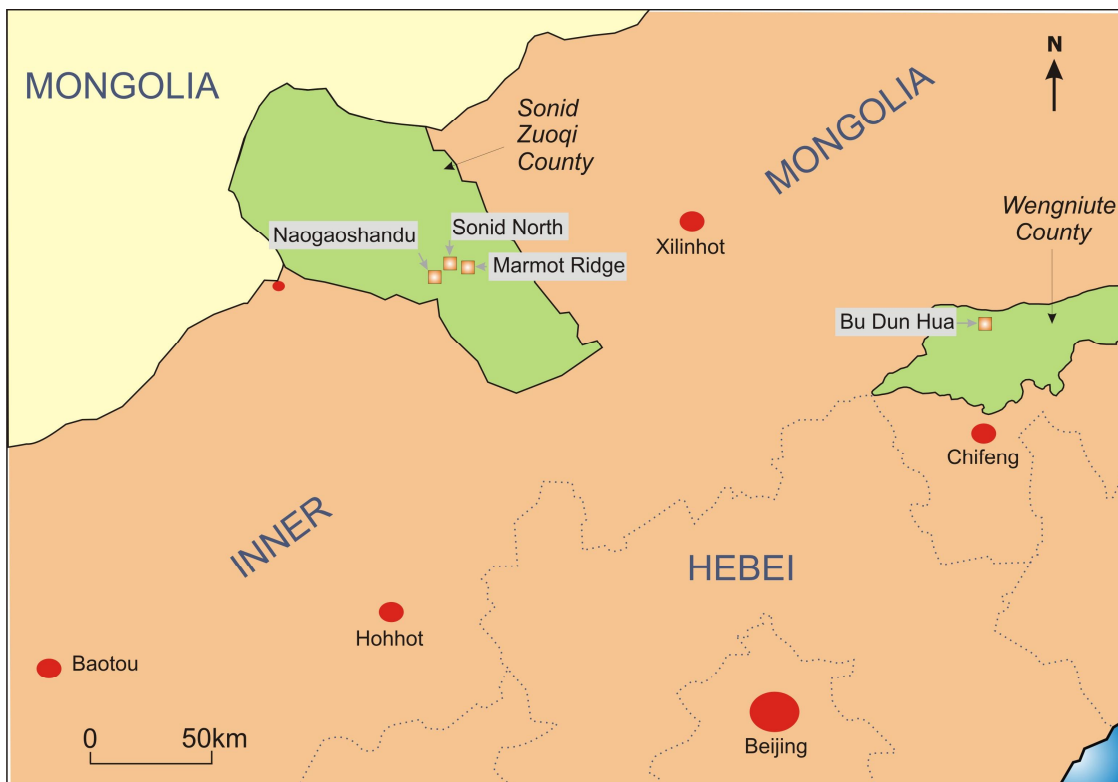


Fig 3. Project location map

GENERAL

At the end of the December quarter, the Company had cash on hand of \$2.1 Million.

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The information on mineralisation contained in this announcement accurately reflects information compiled by A B Bell, BSc, F AusIMM(CP), Executive Director, a Competent Person (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves), who has relevant experience in relation to such mineralisation and has consented to the inclusion of such information in this announcement.

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ARBN 122 404 666