



King Solomon Mines Limited

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2012

New gold prospect discovery at Naogaoshandu

Mud-house infill drilling commences

NAOGAOSHANDU GOLD PROJECT (King Solomon 100%)

Re-visiting the Naogaoshandu project in light of lessons being learnt from KSO's drilling successes at **Mud-house**, has last week resulted in the discovery of very encouraging gold $\pm$ copper mineralisation at surface at the newly-named **East Ridge** prospect. The initial discovery was of high-grade visible gold specimens in quartz float. These have now been traced to erratic quartz or quartz-feldspar narrow vein outcrops. Detailed mapping and systematic sampling is already underway and an excavator has been mobilised for trench excavation.



Figure 1. Gold dusting in quartz feldspar specimen.

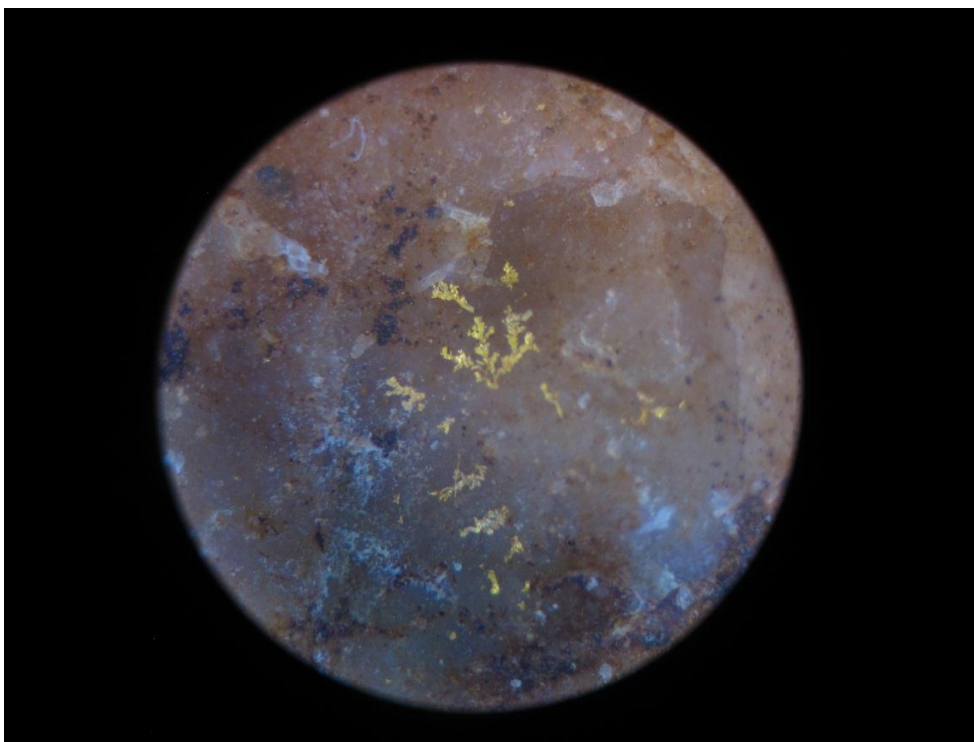


Figure 2. Micro-photograph showing gold in quartz specimen. Field of view 5mm.

The **South Ridge** and **Three Eagles** prospects at Naogaoshandu were the subject of intensive work by KSO through 2009-2010. Detached remnants of narrow veins in both of these areas yielded very encouraging gold assays but their source was not located. Unlike **South Ridge** and **Three Eagles**, the **East Ridge** veins appear to be hosted in meta-sediments near the margin of a granite plug.

An IP geophysical survey planned for **Three Eagles** will now be modified to include the **East Ridge** prospect.

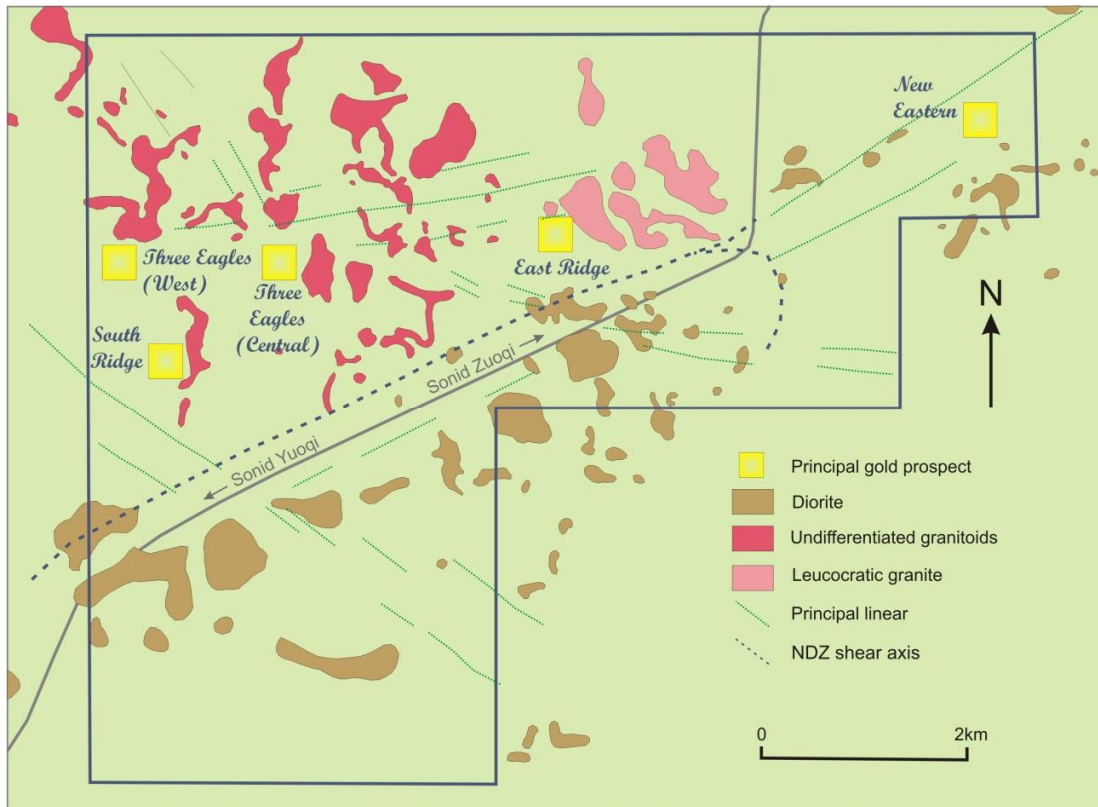
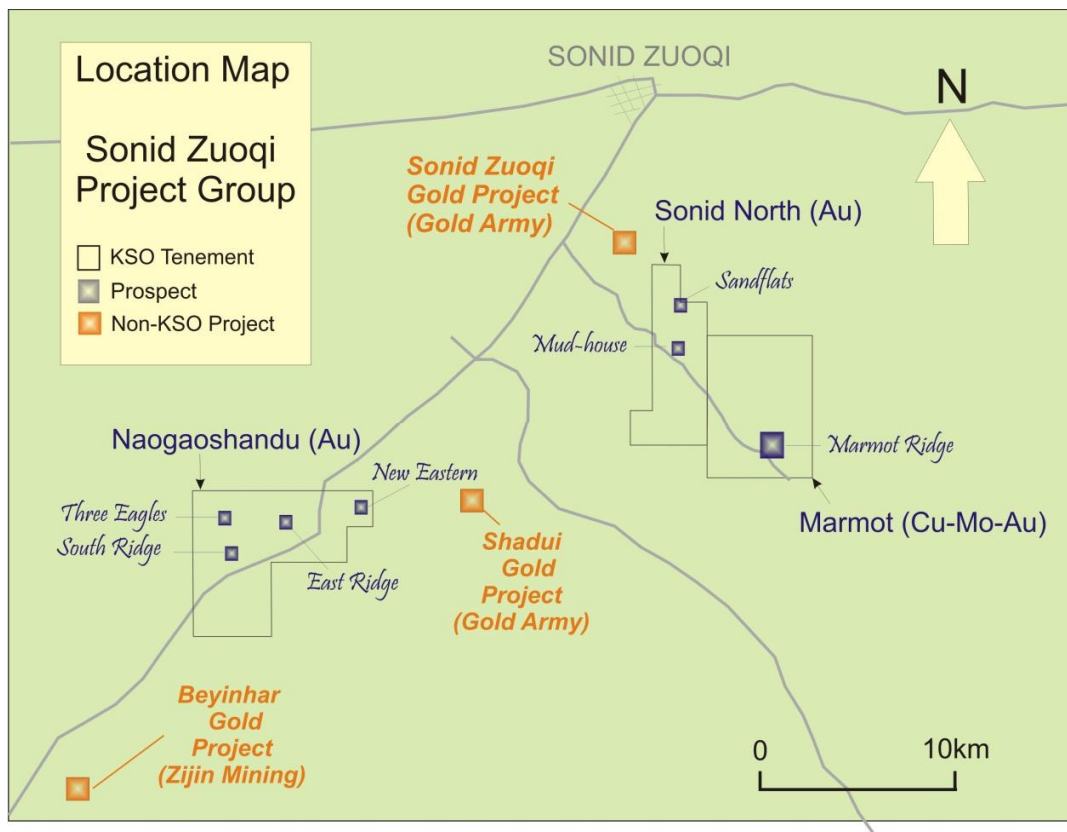


Figure 3. Naogaoshandu prospect locations and intrusive domains

The Naogaoshandu project is located close to (approx. 15km) Zijin Mining's Beyinhar gold mine which is in production.



SONID NORTH GOLD PROJECT (King Solomon 100%)

A program of 24 diamond drill-holes for 6,000m has been proposed for infill drilling of the main gold mineralisation zone at Mud-house. This zone was fully described in the March quarterly and in a subsequent ASX release dated 19 June of this year. The objective of the drilling is to tighten drill-hole spacing to more accurately define the geometry of the gold-mineralised veins and grade distribution within them. King Solomon's immediate Exploration Target is for 100,000oz to 200,000oz of gold based on 1M to 1.5Mt at 3g/t to 5g/t Au.

Exploration upside exists down-dip and along-strike and further afield across the Sonid North and adjoining Marmot tenements. A program of more intensive sampling and mapping in pursuit of the latter has also been planned.

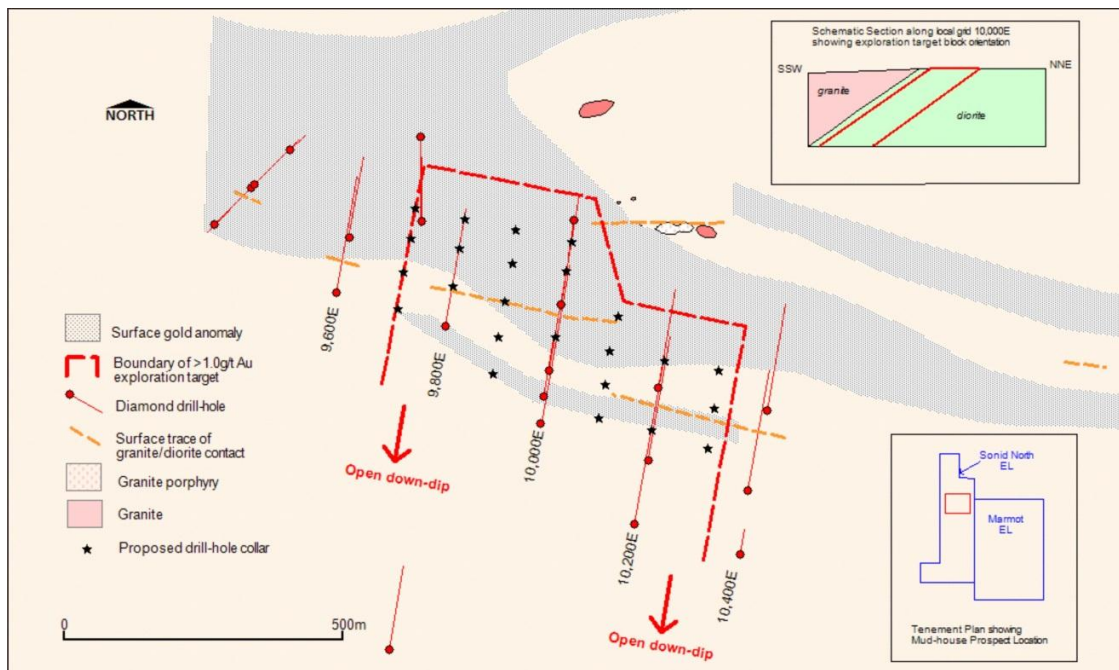


Figure 4. Mud-house prospect showing approximate positions of proposed infill drill-holes

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

BDH031, the third of three diamond drill-holes planned for 2012 has just been completed at **Northern Deeps** to 563m down-hole. While the drill-hole encountered more-or-less intense sulphide veinlet development throughout its entire length, assays to hand for the top 200m confirm a predominance of pyrite (iron sulphide) and only minor galena, sphalerite and chalcopyrite (lead, zinc and copper sulphides respectively). While disappointing from a copper grade perspective, this result further extends the size of the porphyry style alteration system at Bu Dun Hua (BDH) and once again points to the northeast corner of the tenement as its mineralising centre.

Drill-holes BDH029 and BDH030 at **Nomad** and **Ghenghis** respectively yielded disappointing assay results although the **Ghenghis** hole encountered widespread and locally strong hydrothermal alteration with weak to moderate zinc anomalism through much of its length.

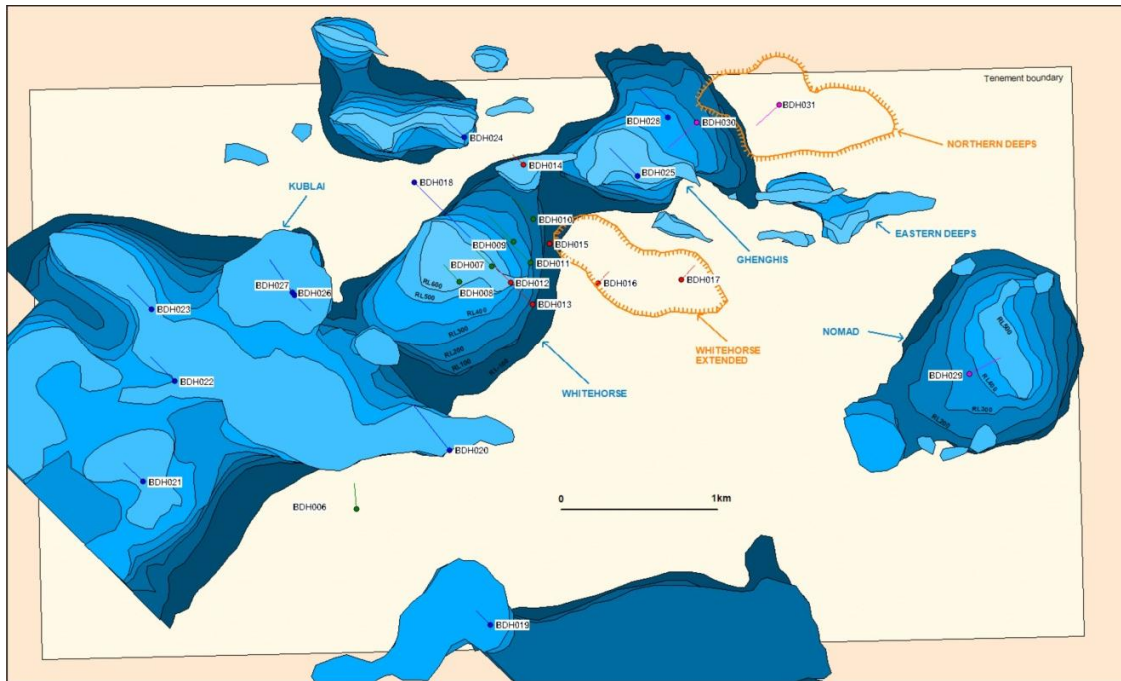


Figure 5. BDH tenement showing locations of the three completed 2012 drill-holes (BDH029 - BDH031).

Petrographic studies on core samples from the more encouraging BDH028 at **Ghenghis** indicate that copper anomalism within the hole (best 2m sample of 0.15% Cu) is from chalcopyrite associated with rhyolite to quartz monzonite porphyry fragments within intrusion breccias. This feature, of copper-mineralised rock fragments transported from somewhere outside the immediate vicinity, has been encountered in several of the BDH drill-holes. Along with the clear porphyry style alteration assemblages, it has been a driving force for continued exploration.

The focus of the geological team at BDH will now switch to Sonid North until full results from these three holes have been received, interpreted and integrated with the current geological model.

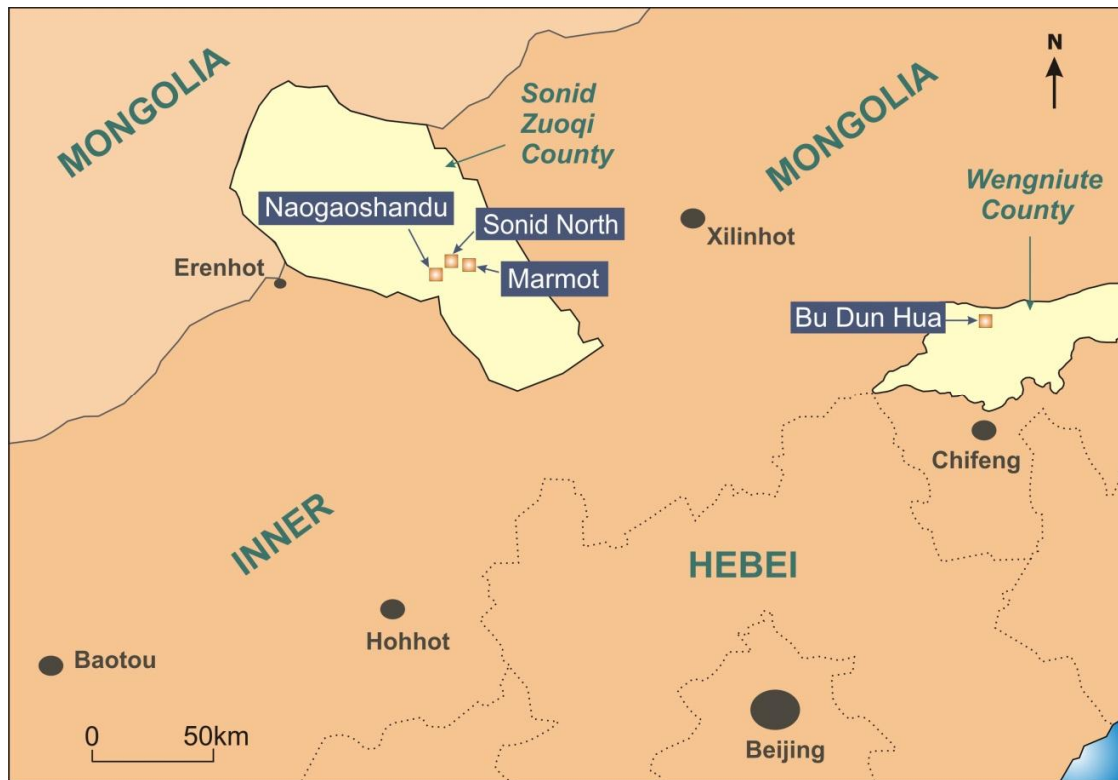


Figure 6. Project location map

GENERAL

At the end of the June quarter, the Company had cash on hand of \$0.9 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