



**KSO**



**KING SOLOMON MINES LTD**

ARBN 122 404 666

Offer Pursuant to the King Solomon Mines  
**Share Purchase Plan**



## King Solomon Mines Limited

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3 September 2012

Dear King Solomon Mines Shareholder

# Offer Pursuant to the King Solomon Mines Share Purchase Plan

As you will be aware from our latest Quarterly Report, King Solomon Mines Limited (King Solomon Mines) has made a discovery of gold mineralisation at its **Mud-house** prospect in Inner Mongolia, China. Your company is undertaking in-fill drilling at **Mud-house** with the goal of establishing an initial resource. It also plans follow up exploration, possibly including an initial drill program, at its promising new gold prospect **East Ridge**, where it has recently obtained visible gold samples.

The Company completed a Placement of 30,913,452 ordinary shares in the capital of the Company at A\$0.0165 per share on 31 August 2012. Your Directors have decided to offer all eligible shareholders the opportunity to acquire ordinary shares at the same price as the Placement through this offer ("the Offer") which is being made pursuant to the Company's Share Purchase Plan ("the SPP"). We consider our prospects to be attractive and urge you to give this offer your full consideration. The Managing Director and Chairman intend to participate fully through their relevant interests.

The Company is able to make this offer to shareholders without providing a disclosure document in accordance with a class order relief granted by the Australian Securities and Investments Commission ("the ASIC Class Order") and without having to register a prospectus in New Zealand or provide an investment statement pursuant to the New Zealand Securities Act (King Solomon Mines) Exemption notice 2011 ("the NZ Exemption Notice").

The terms and conditions of the Offer are set out in this letter and the enclosed application form which forms a part of the Offer. A copy of the SPP is available on request at no charge.

## Invitation to Participate in the King Solomon Mines Share Purchase Plan

Eligible Shareholders are offered the opportunity to purchase up to 909,090 ordinary shares in the capital of King Solomon Mines ("the Shares") at an issue price A\$0.0165 per Share free of brokerage and payable in full on application ("the Issue Price"). The maximum number of Shares which any one shareholder may take up pursuant to this Offer is 909,090 Shares having a total issue price of A\$15,000.00 and the maximum allowable number of Shares which may be offered to all Shareholders under this Offer is limited to 30% of the Company's issued capital. These limitations are required in order for the SPP to comply with the ASX Listing Rules, the ASIC Class Order and the NZ Exemption Notice. Accordingly if the Offer is fully subscribed it will raise approximately \$0.8 million through the issue of a maximum of 49,886,265 Shares.

In accordance with the provisions of the SPP, the Issue Price was determined by the Board of Directors of the Company at the date of the announcement of the Offer. The Issue Price of A\$0.0165 per Share represents a 0.1% discount to the average market price of the Company's ordinary shares sold during the course of trading on the ASX during the five trading days immediately preceding the date of announcement of this Offer. The last closing sale price of the Company's ordinary shares sold during the course of trading on the ASX on the day before the date of this Offer was A\$0.017 cents. The price for the Company's ordinary shares has varied between a low of A\$0.013 and a high of A\$0.075 over the last 52 weeks.

The Shares will be fully paid on issue and will rank equally with all other ordinary shares in the capital of the Company in all respects. The Company will apply for listing of the Shares on the ASX.

## Eligibility

The Offer is available only to persons who were registered as shareholders at of the Company at 5:00 pm on the record date of 28 August 2012 and whose registered address is in Australia, New Zealand and any other jurisdiction in which it is lawful for the Company to offer the Shares ("the Eligible Shareholders"). There is no minimum shareholding requirement.

If an Eligible Shareholder is a trustee corporation or nominee company and holds ordinary shares in the Company in respect of more than one beneficiary by reason only of acting for those beneficial owners in the ordinary course of its business, or is a person who holds those shares as a bare trustee of a trust to which the shares are subject ("a Custodian"), the Custodian may apply for up to 909,090 Shares for each different beneficiary ("the Beneficial Owners") for whom the Custodian holds such ordinary shares provided the Custodian application form is completed and certified by the Custodian.

The Offer under the Plan is non-renounceable and therefore Eligible Shareholders may not transfer their rights to subscribe for Share under this Offer.

Application for Shares must be made in the Application Form accompanying this letter.

## Limit on Participation

The maximum number of Shares an Eligible Shareholder may apply for is 909,090 Shares and the minimum subscription is for 40,000 Shares and thereafter in lots of 40,000 Shares or the maximum number. In the case of a Custodian, the maximum and minimum number of Shares applies to each Beneficial Owner on whose behalf the Custodian applies for Shares. The limit will apply even if you receive more than one Offer from the Company (for example, because you are a joint shareholder of shares or because you hold more than one shareholding under separate share accounts) or if you hold ordinary shares through a custodian or a trustee.

The Company reserves the right to reject any application for Shares where it believes any terms of the Offer have not been complied with or which, if accepted, would not comply with the terms of the SPP.

## Use of Funds

The funds obtained from this raising will be used to fund the proposed continuing exploration programs at both **Mud-house** (Gold) and **East Ridge** (Gold) as well as for general working capital requirements.

## Price Risk

Whilst the Board has every confidence in the future of the Company, we must point out that owning shares in an exploration company such as King Solomon Mines Limited is a speculative form of investment. Shareholders should be aware there is a risk that the market price of the Shares may change between the date of this Offer and the date when the Shares are issued to you. The market value of the Shares you receive may rise or fall accordingly.

## Payment

Payment in full must accompany your application. You have the option to apply in Australian dollars (A\$) or, if you are located in New Zealand, in New Zealand dollars (NZ\$). Shareholders located in New Zealand wishing to pay in A\$ should contact the Company to be sent an A\$ application form.

Shareholders using the NZ\$ option will pay NZ\$0.0214 per Share which is NZ\$856.00 for every 40,000 Shares. The issue price for the full entitlement of 909,090 Shares is NZ\$19,454.53.

The amount of the NZ\$ payment option was determined by the Company based on the exchange rate of A\$1.00=NZ\$1.299 quoted on the record date.

## Offer Opening and Closing Dates

The offer opens at 9.00am Sydney time on **7 September 2012**.

The offer closes at 5.00pm Sydney time on **3 October 2012**.

The Company may vary the date for closing the Offer and will announce such variation to the ASX.

## Acceptance Instructions

If you would like to participate in the Offer, please return your completed application form, together with your cheque made payable to "King Solomon Mines Limited" representing the full amount of the Issue Price of the Shares applied for to be received by the Computershare no later than 5:00PM on the closing date of **3 October 2012** at the address set out in the Application Form. If you are paying in Australian currency you may also apply using the electronic facility referred to in the Application Form.

## Applications will be considered on a first-come, first-served basis

Applications will be accepted on a first-come, first-served basis until the number of Shares to be issued by the Company in respect of accepted applications reaches 49,886,265 Shares which is the maximum number permitted pursuant to the SPP. All application monies for Shares received after that time will be returned to applicants as soon as possible.

Any application in NZ\$ which results in an application exceeding A\$15,000 based on the prevailing NZ\$/A\$ exchange rate on the date of allotment, will be scaled back to conform with the A\$15,000 limit. The excess application monies over the A\$15,000 will be returned to applicants as soon as possible.

## Allotment

Shares will be allotted as soon as practicable after the Offer is closed. It is anticipated that allotments will be made no later than 19 October 2012.

**Shareholders who wish to participate in this Offer are advised to lodge their application promptly to give themselves the best opportunity to have their application satisfied.**

## Contacts and Other Information

A full copy of the Company's most recent Annual Report and financial statements are available on request free of charge from the Company and on the Company's website ([www.kingsolomonmines.com](http://www.kingsolomonmines.com)). If you have any questions about this Offer please call the Company's office on 1 800 061 569 (from Australia) or +64 4 905 9608 (outside Australia) during business hours.


Signed by each of the directors of King Solomon Mines Limited



Mr John Quinn  
Director



Mr Chris Castle  
Director



Mr Fu La  
Director



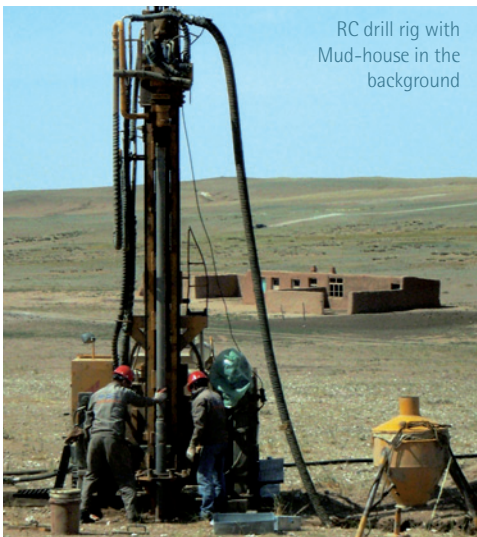
Mr Stephen McPhail  
Director



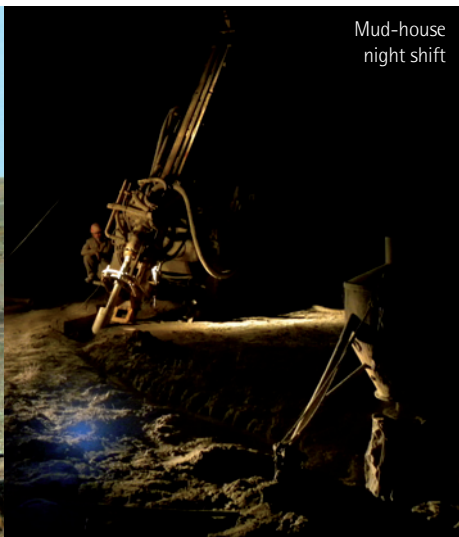
Mr Bruce Bell  
Director



KSO is maintaining an aggressive level of exploration activity on its two most encouraging gold prospects.



RC drill rig with  
Mud-house in the  
background



Mud-house  
night shift

At **Sonid North** it has two diamond drill rigs working 24/7 at its **Mud-house** prospect. The rigs are drilling in-fill holes aimed at better quantifying its Exploration Target of 100,000 oz to 200,000 oz of gold based on 1 Mt to 1.5 Mt at 3 g/t Au to 5 g/t Au.

# CURRENT ACTIVITY

SEPTEMBER 2012

At **Naogaoshandu**, excitement was recently provided by discovery of visible gold (high grade) in both quartz veins and meta-sediments at the **East Ridge** prospect.

Anomalous gold up to **3m @ 1.59 g/t Au** had been found previously by scout RC drilling at the **Three Eagles** prospect.

KSO is conducting IP geophysical surveys for sharper definition of drill targets at **East Ridge** and **Three Eagles**.



Visible gold (high-grade) specimen from East Ridge



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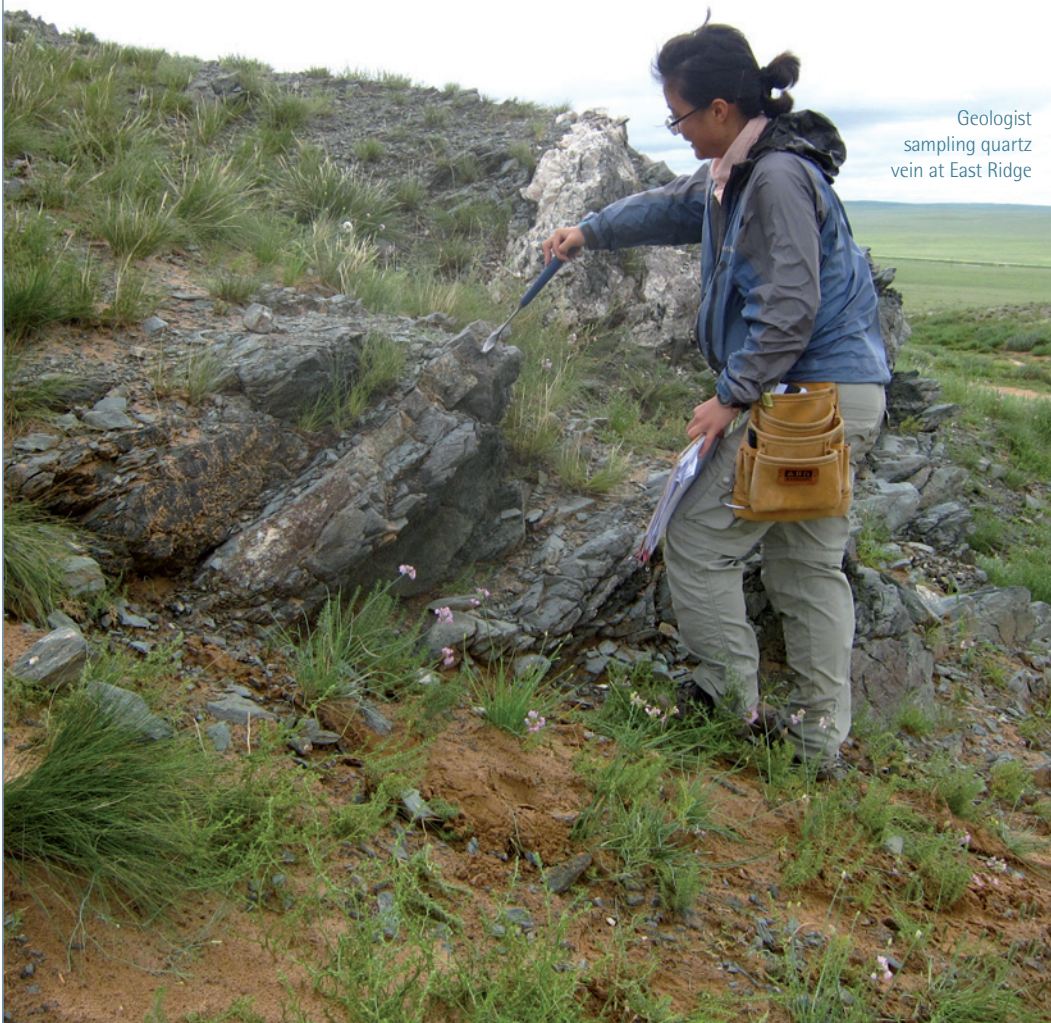
[enquiries@kingsolomonmines.com](mailto:enquiries@kingsolomonmines.com)



IP survey equipment at Three Eagles



Geologists trench sampling at East Ridge



Geologist sampling quartz vein at East Ridge