



King Solomon Mines Limited

ARBN 122 404 666

Annual Report 2014

Contents

Chairman and Managing Director's Review	2
Schedule of Tenements	2
Report of the Directors	3
Statements of Comprehensive Income	7
Statements of Changes in Equity	8
Statements of Financial Position.....	10
Statements of Cash Flow	11
Notes to the Financial Statements.....	12
Directors' Disclosures	28
Independent Auditor's Report	29
Corporate Governance Statement	31
Shareholder Information.....	34

CORPORATE DIRECTORY

Directors

Christopher D. Castle (Non-Executive Chairman)
Stephen J. McPhail (Managing Director)
Fu La (Executive Director)

Australian Agent

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P.O. Box 324
Crows Nest Sydney 1585

Telephone: (02) 9427 5928

Registered and Administrative Office

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P.O Box 15 005
Otaki 5542
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Telephone: 1800 061 569 (from Australia)
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Website

www.kingsolomonmines.com

ASX Code

KSO

Share Registry

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Perth WA 6000
GPO Box D182
Perth WA 6840
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

ARBN

122 404 666

Auditors

PricewaterhouseCoopers
113-119 The Terrace
Wellington
New Zealand

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

Dear Shareholder

The year has been a tough one for junior gold explorers around the world. There has been some encouragement lately with the gold price moving upwards in response to tensions in Iraq. It remains to be seen whether forecasts from some commentators of increasing demand relative to supply of gold, translate into a sustained increase in the gold price.

Over the past year the company has sought buyers for its principal project Sonid North in Inner Mongolia, China. This is against the background of a depressed market for gold assets in China. While there has been and continues to be a level of interest in the project, a sale has yet to be concluded.

The company is also looking at the possibility of a joint venture on this project as a way to enhance shareholder value. During the year, the company reviewed the Naogaoshandu project and concluded there was exploration potential as yet untested which could justify further exploration work when funds were available.

Over the year, your company has reviewed a number of potential new projects for acquisition. The company is continuing with this approach and is seeking a new project or projects together with an appropriate level of funding to advance this/these.

This report continues on from year's one as deliberately "spartan" with the company seeking to preserve its cash reserves. There is no separate section on exploration progress. All of the exploration results have previously been reported in 2013 (quarterly and interim reports). These reports are available on the company's website www.kingsolomonmines.com or through the ASX.

The Board remains committed to pursuing the goal of discovering a large scale mineral resource and securing the gains in value that would accrue from this outcome.



Chris D Castle
Chairman



Stephen McPhail
Managing director

SCHEDULE OF TENEMENTS

Tenements (other than Bu Dun Hua) are located in the Sonid Zouqi Banner (County) of Inner Mongolia, China. Bu Dun Hua is located in the Wengniute Banner (County) of Inner Mongolia, China

Project	Exploration Licence	Area (km ²)	Interest
Marmot Ridge	T15120091102036745	29.8	100%*
Sonid North	T15120091102036733	18.61	100%*
Naogaoshandu	T15120091102036738	34.8	100%*
Bu Dun Hua**	T15120090402028565	25.1	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 four 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.

** The Bu Dun Hua exploration licence is under application for renewal.

REPORT OF THE DIRECTORS

Your Directors present the financial report of the Company for the period ended 31 March 2014.

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

Mr. Christopher Castle B.C.A., A.C.A., C.F.I.P.

Non- Executive Chairman

Chris Castle joined the board of King Solomon on 31 October 2005. He is a chartered accountant with over 30 years experience in the investment and corporate finance sectors. He manages mineral exploration investment company Aorere Resources Limited and rock phosphate developer Chatham Rock Phosphate Limited. Both are listed on the New Zealand Stock Exchange. He is a non-executive director of Asian Mineral Resources Limited (listed on the Venture Exchange of the Toronto Stock Exchange) and Fiji based oil and gas explorer Akura Limited.

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 over 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. Fu La

Executive Director

Fu La has been a director since 5 May 2004. He 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 as well as sales of the Company's projects.

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. Castle is to be regarded as interested in any transaction with Aorere Resources 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, Chatham Rock Phosphate 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 Aorere Resources Limited.

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

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.

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 31 March 2014 are set out in Director's Disclosure after Note 21 to the financial statements and the Disclosure of Directors Share Dealings at page 29 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 from operations after applicable income tax expense was a loss of \$612,736.

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 is contained on page 2 of this report.

Corporate Structure

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

Employees

The Company had 2 part-time employees as at 31 March 2014. 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 2014 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 2014.

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 2014 \$	Option Remuneration 2014 \$	Other Remuneration 2014 \$	Director Fees 2013 \$	Option Remuneration 2013 \$	Other Remuneration 2013 \$
John Quinn				48,750		
Stephen McPhail		7,714	59,861		20,017	204,250
Bruce Bell					29,447	81,099
Fu La		7,714	66,000		20,017	174,000
Chris Castle	28,421			35,086		

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 Note 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 traveling, accommodation and other expenses incurred in consequence of their attendance at Board meetings and otherwise in the execution of their duties as directors. On 1 July 2013, Director's fees were decreased from \$35,000 to \$26,250 per annum for the Chairman. Director fees for the Chairman were paid in shares over 1 October 2013 – 30 June 2014. Executive directors do not receive director fees. Messrs McPhail, and La are considered executive directors.

Directors' Employment and Service Contracts

Mr Castle has not entered into an employment contract with the Company. The Company has entered service agreements with Bodhi Svaha Holdings Limited ("BSHL") 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 \$59,861 for services.

The fee to BSHL for services is \$4,000 per month with 70% of the fee paid in shares over 1 December 2013 - 30 June 2014. There is a requirement for BSHL to procure that Stephen McPhail works as managing director for the Company. The agreement began on 1 January 2013.

The Company has the right to terminate the agreement at any time by written notice. No termination payment is required other than fees earned to that time.

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 \$66,000 for services.

The fee to AMX for services is \$4,000 per month with 70% of the fee paid in shares over 1 December 2013 - 30 June 2014. There is a requirement for AMX to procure that Fu La works as executive director for the Company, focussing on the sale of the Company's mineral exploration assets in China. The agreement began on 1 January 2013.

The Company has the right to terminate the agreement at any time by written notice. No termination payment is required other than fees earned to that time.

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 2014 by virtue of the exercise of options.
- ii) As at the end of the financial period, the Company had on issue the following numbers of options to acquire un-issued shares granted under the company's employee share option plan:

2,000,000 options, exercisable by 29 July 2014 at 10 cents per share and 1,600,000 exercisable by 29 July 2016 at 12 cents per share.

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

Director	Appointed to Board	Meetings Entitled to Attend (incl. committees)	Meetings Attended
Stephen McPhail	28 January 2003	5	5
Fu La	5 May 2004	3	3
Chris Castle	31 October 2005	5	5

Non-Executive Director, Mr C Castle and Executive Director Mr S McPhail 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 and no Remuneration Committee meetings during the period. Messrs C Castle and S. McPhail are members of the Remuneration Committee.

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.

STATEMENTS OF COMPREHENSIVE INCOME
for the year ended 31 March 2014

		GROUP		PARENT	
	Note	2014 \$	2013 \$	2014 \$	2013 \$
Other Income					
Foreign Exchange Gain		11,717	10,214	11,717	10,176
Gain on Sale of Fixed Assets		165	15,555	165	-
Interest Received		1,912	15,607	1,832	14,992
Lease Income	7	-	21,437	-	-
		-----	-----	-----	-----
Total Other Income		13,794	62,813	13,714	25,168
Expenses					
Amortisation		-	163	-	163
Depreciation		-	15,183	-	3,337
Loss on Sale		-	1,558	-	1,558
Directors and Professional Fees	11	170,911	488,478	170,911	488,478
Employee Benefits Expense	10	30,083	33,636	-	-
Impairment of Fixed Assets	8	38,010	103,630	1,951	-
Office Expenses		46,337	98,449	24,171	48,874
Other Expenses		80,563	152,733	79,501	135,678
Share Option Expense	12	15,428	131,945	15,428	131,945
Write Off of Exploration Expenditure	7	140,839	6,097,327	-	2,794,964
Loss on Property available for sale		28,743	30,593	-	-
Exploration Asset Maintenance Expenses		75,616	-	10,924	-
Impairment of Advances to Subsidiary		-	-	681,992	2,399,748
Impairment of Investment in Subsidiary		-	-	-	1,126,008
		-----	-----	-----	-----
Total Expenses		626,530	7,153,695	984,878	7,130,753
Loss before Tax		(612,736)	(7,090,882)	(971,164)	(7,105,585)
Income Tax Expense	18	-	9	-	9
		-----	-----	-----	-----
Loss attributable to the Owners of the Company		(612,736)	(7,090,891)	(971,164)	(7,105,594)
Other Comprehensive Income (Items that may be reclassified subsequently to profit or loss)					
Currency Translation Differences		169,240	(4,222)	-	-
		-----	-----	-----	-----
Total Comprehensive Income net of tax attributable to Owners of the Company		(443,496)	(7,095,113)	(971,164)	(7,105,594)
		=====	=====	=====	=====
		\$/share	\$/share	\$/share	\$/share
Loss Per Share					
Basic Loss per Share	14	(0.00)	(0.04)	(0.00)	(0.04)
Diluted Loss per Share	14	(0.00)	(0.04)	(0.00)	(0.04)

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

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2014

PARENT

	Note	Share Capital \$	Share Options \$	Accumulated Loss \$	Total Shareholder Funds \$
Equity as at 1 April 2012		16,992,950	282,965	(9,685,659)	7,590,256
Comprehensive Income:					
Loss for Year		-	-	(7,105,594)	(7,105,594)
Total Comprehensive Income for the Year		-	-	(7,105,594)	(7,105,594)
Transactions with owners:					
Options Expense	12	-	131,946	-	131,946
Options Expired / Lapsed	12	(389,882)	(101,529)	491,411	-
Shares Issued	12	941,436	-	-	941,436
Capital Raising Costs	12	(37,522)	-	-	(37,522)
Total transactions with Owners:		514,032	30,417	491,411	1,035,860
Equity as at 31 March 2013		17,506,982	313,382	(16,299,842)	1,520,522
Equity as at 1 April 2013		17,506,982	313,382	(16,299,842)	1,520,522
Comprehensive Income:					
Loss for Year		-	-	(971,164)	(971,164)
Total Comprehensive Income for the Year		-	-	(971,164)	(971,164)
Transactions with owners:					
Options Expense	12	-	15,428	-	15,428
Options Expired / Lapsed	12	-	(111,481)	111,481	-
Shares Issued	12	125,951	-	-	125,951
Capital Raising Costs	12	(1,380)	-	-	(1,380)
Total transactions with Owners:		124,571	(96,053)	111,481	139,999
Equity as at 31 March 2014		17,631,553	217,329	(17,159,525)	689,357

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 March 2014

GROUP

	Note	Share Capital \$	Share Options \$	Foreign Currency Translation Reserve \$	Accumulated Loss \$	Total Shareholder Funds \$
Equity as at 1 April 2012		16,992,950	282,965	436,994	(10,204,174)	7,508,735
Comprehensive Income:						
Loss for Year		-	-	-	(7,090,891)	(7,090,891)
Other Comprehensive Income:						
Currency Translation Differences		-	-	(4,222)	-	(4,222)
Total Comprehensive Income for the Year		-	-	(4,222)	(7,090,891)	(7,095,113)
Transactions with owners:						
Options Expense	12	-	131,946	-	-	131,946
Options Expired / Lapsed	12	(389,882)	(101,529)	-	491,411	-
Shares Issued	12	941,436	-	-	-	941,436
Capital Raising Costs	12	(37,522)	-	-	-	(37,522)
Total transactions with Owners:		514,032	30,417	-	491,411	1,035,860
Equity as at 31 March 2013		17,506,982	313,382	432,772	(16,803,654)	1,449,482
Equity as at 1 April 2013		17,506,982	313,382	432,772	(16,803,654)	1,449,482
Comprehensive Income:						
Loss for Year		-	-	-	(612,736)	(612,736)
Other Comprehensive Income:						
Currency Translation Differences		-	-	169,240	-	169,240
Total Comprehensive Income for the Year		-	-	169,240	(612,736)	(443,496)
Reclassification between Accumulated Losses and the Foreign Currency Translation Reserve		-	-	(56,667)	56,667	-
Transactions with owners:						
Options Expense	12	-	15,428	-	-	15,428
Options Expired / Lapsed	12	-	(111,481)	-	111,481	-
Shares Issued	12	125,951	-	-	-	125,951
Capital Raising Costs	12	(1,380)	-	-	-	(1,380)
Total transactions with Owners:		124,571	(96,053)	(56,667)	168,148	139,999
Equity as at 31 March 2014		17,631,553	217,329	545,345	(17,248,242)	1,145,985

STATEMENTS OF FINANCIAL POSITION
for the year ended 31 March 2014

	Note	GROUP		PARENT	
		2014	2013	2014	2013
		\$	\$	\$	\$
SHAREHOLDERS' FUNDS					
Share Capital	12	17,631,553	17,506,982	17,631,553	17,506,982
Share Options	12	217,329	313,382	217,329	313,382
Foreign Currency Translation Reserve		545,345	432,772	-	-
Accumulated Losses		(17,248,242)	(16,803,654)	(17,159,525)	(16,299,842)
		-----	-----	-----	-----
TOTAL FUNDS EMPLOYED		1,145,985	1,449,482	689,357	1,520,522
		=====	=====	=====	=====
REPRESENTED BY:					
CURRENT ASSETS					
Cash and Cash Equivalents	6	103,754	314,333	99,557	256,017
Receivable from Sale of Property	9	219,287	-	-	-
Other Receivables - Related Parties	11	204	7,069	582,710	1,266,104
Other Receivables - Tax on Interest		634	4,972	634	4,972
Other Receivables - Other		25,099	55,580	12,732	42,731
Prepayments - Related Parties	12	23,363	-	23,363	-
Motor Vehicles for Sale	8	32,925	107,075	-	-
Other Plant and Equipment for Sale	8	11,077	18,228	3,539	5,042
Property for Resale	9	-	275,339	-	-
Exploration and Evaluation Assets	7	1,000,658	995,332	-	-
		-----	-----	-----	-----
Total Current Assets		1,417,001	1,777,928	722,535	1,574,866
CURRENT LIABILITIES					
Accounts Payable - Related Parties	11	(14,416)	(27,155)	(12,419)	(27,155)
Accounts Payable - Other		(256,600)	(301,291)	(20,759)	(27,189)
		-----	-----	-----	-----
Total Current Liabilities		(271,016)	(328,446)	(33,178)	(54,344)
		-----	-----	-----	-----
NET ASSETS		1,145,985	1,449,482	689,357	1,520,522
		=====	=====	=====	=====

On behalf of the Board



Stephen McPhail **Director** 5 June 2014



Chris Castle **Director** 5 June 2014

The above statements of financial position should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

for the year ended 31 March 2014

		GROUP		PARENT	
		2014	2013	2014	2013
	Note	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was received from:					
Interest		4,620	18,029	4,540	17,414
Resident Withholding Tax refunded		5,794	28,120	5,794	28,120
		<u>10,414</u>	<u>46,149</u>	<u>10,334</u>	<u>45,534</u>
Cash was applied to:					
Payments to suppliers		306,798	856,075	240,433	681,498
Resident Withholding Tax on Interest		1,456	5,009	1,456	5,009
		<u>308,254</u>	<u>861,084</u>	<u>241,889</u>	<u>686,507</u>
Net cash flow - Operating activities	17	(297,840)	(814,935)	(231,555)	(640,973)
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was received from:					
Sale of Property for sale		61,400	-	-	-
Sale of Plant and Equipment		62,558	5,507	1,158	732
		<u>123,958</u>	<u>5,507</u>	<u>1,158</u>	<u>732</u>
Cash was applied to:					
Purchase of Property Plant and Equipment		1,441	-	1,441	-
Last payment for Purchase of Property available for sale		13,311	-	-	-
Advance to Subsidiary		-	-	-	18,064
Exploration Payments		83,988	1,173,608	2,032	1,342,012
		<u>98,740</u>	<u>1,173,608</u>	<u>3,473</u>	<u>1,360,076</u>
Net cash flow - Investing activities		25,218	(1,168,101)	(2,315)	(1,359,344)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was received from Issue of Shares		67,073	941,436	67,073	941,436
Cash was applied to Share Raising expenses		(1,380)	(37,522)	(1,380)	(37,522)
Net cash flow - Financing activities		65,693	903,914	65,693	903,914
Net cash flows from all activities		(206,929)	(1,079,122)	(168,177)	(1,096,403)
Cash at Beginning of Year		314,333	1,402,197	256,017	1,342,244
Exchange Gains / (Losses) on Cash Balances		(3,650)	(8,742)	11,717	10,176
Cash at End of Year		103,754	314,333	99,557	256,017
Represented by:					
Cash at Bank	6	103,754	164,333	99,557	106,017
Short Term Bank deposits	6	-	150,000	-	150,000
Cash at End of Year	6	103,754	314,333	99,557	256,017

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2014

1. GENERAL INFORMATION

These financial statements are presented in 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') is a limited liability company incorporated on 28 January 2003 and domiciled in New Zealand. The address of its registered office is 242 Marine Parade, Otaki Beach, Otaki, 5512.

The Company and its subsidiary (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.

These consolidated financial statements were approved by the Board of Directors on 5 June 2014.

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. They are in compliance with International Financial Reporting Standards. 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.

Basis of Preparation

The financial statements continue to be prepared on a realisation basis.

In March 2013, the Directors assessed the Group's business and estimated that it would be difficult to obtain additional capital in current market conditions to fund further exploration and /or development expenditure. From this date, the Group has sought to sell the core assets as the Group and the Company are no

longer deemed to be a going concern, accordingly, the 2013 financial statements were prepared on a realisation basis. The accounting policies that were adopted in March 2013 during the prior year and which continue to be applied in 2014 are:

- Assets are measured at the lower of carrying value and net realisable value. The net realisable value of property, plant and equipment is determined by reference to relevant market prices less estimated selling costs (if any). Exploration and evaluation assets and property held for sale are determined based on the Directors' best estimates of realisable value as no market-based evidence is available. The Parent's investment in subsidiary and the Parent's receivable from subsidiary are determined based on the Directors' assessment of the net assets of the subsidiary, which are subject to the above estimates of the net realisable value of property, plant and equipment, exploration and evaluation assets and property held for resale.
- Changes in the carrying amount of assets are recognised in the statement of comprehensive income;
- Non-current assets are classified as current assets; and
- Liabilities as a result of the decision to sell the core assets of the Group have been recognised. No material provision costs were identified.

a) New Accounting Standards

First application of XRBA1

The Group has adopted External Reporting Board Standard A1, Accounting Standards Framework (For-profit Entities update) ("XRB A1") that established a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. For the purpose of complying with NZ GAAP the Group applies Tier 1 For-profit Accounting Standards ("NZ IFRS") on the basis it has public accountability as defined by the standard.

The new or amended standards that have become effective for the Group during the year ended 31 March 2014 and that have

impacted the Group's financial statements are as follows:

NZ IFRS 13 - Fair Value Measurement - The Group has applied NZ IFRS 13 for the first time in the current year. The new standard replaces existing guidance on fair value measurement in several standards with a single, unified definition of fair value and a framework for measuring and disclosing fair values. NZ IFRS 13 applies to all assets and liabilities measured at fair value, not just financial instruments.

The major impact of NZ IFRS 13 was an increase in the level of disclosure required around fair values, particularly in relation to the fair value information provided in respect of property, plant and equipment and exploration and evaluation assets that are subject to revaluation - refer note 7 and 8. NZ IFRS 13 requires prospective application from 1 April 2013.

NZFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. There is no material impact on Group.

NZ IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities. There is no material impact on Group.

b) Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 April 2013, which the Group has not early adopted.

New standards and amendments on issue but not yet effective are not expected to have a material impact on the Group.

2.2 Consolidation

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

A subsidiary is an entity over which the group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns

through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

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

Operating segments are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments has been identified as the board.

2.4 Other Income

Interest income

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

2.5 Financial Instruments

The Group financial instruments carried on the statement of financial position include cash and bank balances, other 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.

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

2.6 Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In

estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. In particular, priority is given to valuations as follows:

- quoted prices (unadjusted) in active markets for identical assets (level 1)
- inputs other than quoted prices included within level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- inputs for the asset that are not based on observable market data (that is, unobservable inputs) (level 3)

The fair value of assets that are not traded in an active market is determined by using valuation techniques that maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the item is included in level 2. If one or more of the significant inputs is not based on observable market data, the item is included in level 3.

The Directors consider the appropriate valuation techniques and inputs to the model for Level 3 valuations at each reporting date. Information about the level of the hierarchy applied, and the valuation techniques and inputs used in determining the fair value of various assets are disclosed in the notes applicable to items measured and/or disclosed at fair value.

2.7 Property, Plant and Equipment

Prior to the realisation basis being adopted in March 2013, all property, plant and equipment was stated at historical cost less depreciation. Historical cost included expenditure that was directly attributable to the acquisition of the items.

Subsequent costs were also included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it was probable that future economic benefits associated with the item would flow to the Company or Group and the cost of the item could be measured reliably.

Depreciation on assets used for exploration purposes were capitalised as part of exploration and evaluation expenditure.

Depreciation on assets were 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

Following the adoption of the realisation basis of accounting, the net realisable value of property, plant and equipment is determined by reference to relevant market prices less estimated selling costs (if any). An impairment loss is recognised for the amount by which the assets' carrying amount exceeds its recoverable amount.

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 profit or loss component of the statement of comprehensive income.

2.8 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 Company operates ('the functional currency'). The functional currency of the Company is Australian dollars. The functional currency of the Group's Chinese subsidiary is Chinese Yuan. These consolidated 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 functional currencies 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 statement of comprehensive income. This excludes when, on consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in other comprehensive income in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale

(c) Group companies

The results and financial position of the Chinese subsidiary are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of comprehensive income 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 in other comprehensive income.

2.9 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.

Cash flows are presented on a gross basis. The GST components of cash flows which are recoverable from or payable to the tax authority are presented as operating cash flows.

2.10 Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

2.11 Exploration and Evaluation Assets

Exploration and evaluation expenditure incurred by or on behalf of the Company and Group has been accumulated separately for each area of interest. An 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 and evaluation 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.

Under the realisation basis of accounting, the Directors assess the carrying value of exploration and evaluation assets against their best estimate of realisable value. The Directors' best estimate forms the basis of the net realisation value assessment as there is no market based evidence available for the exploration and evaluation assets. Any difference between carrying value and the Directors best estimate is written off against the exploration and evaluation assets in the statements of comprehensive Income.

Expenditure is not carried forward in respect of any area unless the Group's rights of tenure to that area of interest are current.

2.12 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 Income tax

Income Tax

The income tax expense or revenue for the year is the tax payable/receivable 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 the future benefit of unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiary operate and generate taxable income.

2.14 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.

(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). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting 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 statements of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. If the options lapse or expire, the accumulated balance will be reclassified to retained earnings.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) when the options are exercised.

In addition, some fees for director services have been paid by issue of shares (note 12).

2.15 Lease Expenditure

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 or received under operating leases are charged to the statement of comprehensive income on a straight line basis over the period of the lease.

2.16 Lease Income

Lease income is recognised on a straight line basis over the term of the lease.

2.17 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 usually payment within 30 days.

2.18 Cash and Cash Equivalents

Cash includes cash on hand and at bank and short term deposits less any bank overdrafts which are shown as borrowings in current liabilities on the statement of financial position.

2.19 Statement of Cash Flows

Operating activities are the principal revenue-producing activities and other activities that are not investing or financing activities.

Investing cash flows represent cash flows arising from the acquisition and disposal of property, plant and equipment, as well as exploration expenditure.

Financing cash flows represent cash flows arising from cash transactions affecting the capital structure of the Company and Group.

CHANGES IN ACCOUNTING POLICIES

There has been no change in accounting policies from those applied at 31 March 2013.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future and in respect of the recoverable values of current assets.

In particular the current assets property, plant and equipment and exploration and evaluation assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. These asset values have been determined based on an estimation of fair value less costs to sell.

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

The resulting accounting estimates will, by definition, seldom equal the actual results (see note 7 and note 8 for detail of particular estimates).

4. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by the Board which is responsible for making strategic decisions.

In 2013 when the Group was still considered to be a going concern, the Group was organised into one business segment; with the activity of exploring and developing gold, copper and other metallic deposits. Upon adoption of the realisation basis of accounting, the Group continues to be organised into one segment whose activity is focused on selling the Group's core assets. As there is only one segment as at 31 March 2014 the disclosures

on the face of the statement of comprehensive income and the statement of financial position represent the Group's one business segment.

Geographical Information:

The Group operates its business of exploration in China with the bulk of the administrative functions being performed in New Zealand.

This is demonstrated by the geographical breakdown of material assets shown in total on the Statement of Financial Position:

31 March 2013	New Zealand \$	China \$	Consolidated \$
Property for Resale	-	275,339	275,339
Motor Vehicles for Sale	-	107,075	107,075
Other Plant and Equipment for Sale	3,351	14,877	18,228
Exploration and Evaluation Assets	-	995,332	995,332
	<u>3,351</u>	<u>1,392,623</u>	<u>1,395,974</u>

31 March 2014	New Zealand \$	China \$	Consolidated \$
Receivable from Sale of Property	-	219,287	219,287
Motor Vehicles for Sale	-	32,925	32,925
Other Plant and Equipment for Sale	1,848	9,229	11,077
Exploration and Evaluation Assets	-	1,000,658	1,000,658
	<u>1,848</u>	<u>1,262,099</u>	<u>1,263,947</u>

The above assets are recorded under the country in which the asset is located.

5. IMPUTATION CREDIT ACCOUNT

	GROUP		PARENT	
	2014 \$	2013 \$	2014 \$	2013 \$
Balance Carried Forward	14,404	16,788	14,404	16,788

6. CASH AND CASH EQUIVALENTS

	GROUP		PARENT	
	2014 \$	2013 \$	2014 \$	2013 \$
Cash	369	267	26	167
Cash at Bank	103,385	164,066	99,531	105,850
Short Term Bank Deposits	-	150,000	-	150,000
Total Cash & Cash Equivalents	<u>103,754</u>	<u>314,333</u>	<u>99,557</u>	<u>256,017</u>

7. EXPLORATION AND EVALUATION EXPENDITURE

All current drilling programmes ceased in the year ended 31 March 2013. The Company is focussed on the sale of Sonid North tenement while assessing the prospectivity and amount of funding required to advance the remaining tenements to sale, joint venture or to attract further funds to expand the projects.

The Directors reviewed its exploration and evaluation assets at 31 March 2014 in accordance with NZ IAS 36. The Directors have impaired the carrying value of the tenements based on the Directors' best estimate of the likely sales price of each tenement (There is no active market in China for these tenements). All exploration and evaluation assets held by the Group are categorised as level 3 of the fair value hierarchy. There were no transfers between levels of the hierarchy during the year.

As a result of assessments, the directors reduced the recoverable amount (based on fair value less costs of disposal) and therefore the carrying amount of the exploration and evaluation assets reduced to \$1,000,658. The write down of \$140,839 has been recognised as an impairment in the Statements of Comprehensive Income.

As at 31 March 2014 the amount of liabilities arising from the exploration for and evaluation of mineral resources is \$226,081 (2013: \$270,668).

The capitalised exploration and evaluation expenditure carried forward has been determined as follows:

	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
<u>Exploration phase:</u>				
Opening Balance	995,332	5,611,354	-	2,411,802
Foreign Exchange on Opening Balance	146,165	12,282	-	-
Expenditure incurred during the Year	-	1,469,023	-	383,162
Expenditure written off during the Year (Refer note 3)	(140,839)	(6,097,327)	-	(2,794,964)
Closing Balance	<u>1,000,658</u>	<u>995,332</u>	<u>-</u>	<u>-</u>

The expenditure is allocated over the following prospects:

	GROUP	
	2014	2013
	\$	\$
Prospect		
Sonid North	843,316	735,332
Naogaoshandu	50,000	130,000
Marmot	57,342	50,000
Bu Dun Hua	50,000	80,000
Total Exploration and Evaluation Expenditure	<u>1,000,658</u>	<u>995,332</u>

Operating Leases

Inner Mongolia Plate Mining Limited in its capacity as lessor has granted leases for the mining of Iron Ore over its exploration licences and received the following income:

	GROUP	
	2014	2013
	\$	\$
Prospect		
Marmot	-	21,437
Total Lease Income	<u>-</u>	<u>21,437</u>

8. PROPERTY, PLANT AND EQUIPMENT

	GROUP				PARENT
	Motor vehicles \$	Office furniture and equipment \$	Plant and equipment \$	Total property plant and equipment \$	Total Office Furniture and Equipment \$
<u>Year ending 31 March 2013</u>					
Opening Net Book Amount	274,187	61,444	9,231	344,862	10,669
Foreign Exchange Movement	1,052	195	33	1,280	-
Additions	-	-	-	-	-
Sales & Disposals	(32,782)	(2,290)	-	(35,072)	(2,290)
Depreciation	(43,377)	(36,593)	(2,167)	(82,137)	(3,337)
Provision for Impairment	(92,005)	(8,260)	(3,365)	(103,630)	-
Closing Net Book Amount	107,075	14,496	3,732	125,303	5,042
<u>Year ending 31 March 2013</u>					
Depreciation	(43,377)	(36,593)	(2,167)	(82,137)	(3,337)
Depreciation Capitalised	42,694	23,443	817	66,954	-
Net Depreciation	(683)	(13,150)	(1,350)	(15,183)	(3,337)
<u>As at 31 March 2013</u>					
Cost	306,204	189,385	28,809	524,398	50,104
Accumulated Depreciation	(107,124)	(166,629)	(21,712)	(295,465)	(45,062)
Provision for Impairment	(92,005)	(8,260)	(3,365)	(103,630)	-
Net Book Amount	107,075	14,496	3,732	125,303	5,042
<u>Year ending 31 March 2014</u>					
Opening Net Book Amount	107,075	14,496	3,732	125,303	5,042
Foreign Exchange Movement	15,725	1,388	548	17,661	-
Additions	-	1,605	-	1,605	1,605
Sales & Disposals	(61,400)	(1,158)	-	(62,558)	(1,158)
Impairment	(28,475)	(8,589)	(946)	(38,010)	(1,951)
Closing Net Book Amount	32,925	7,743	3,334	44,002	3,539
<u>As at 31 March 2014</u>					
Cost	204,712	80,758	31,099	316,569	33,453
Provision for Impairment	(52,629)	(9,473)	(3,859)	(65,961)	-
Accumulated Depreciation	(119,158)	(63,542)	(23,906)	(206,606)	(29,914)
Net Book Amount	32,925	7,743	3,334	44,002	3,539

Fair value measurement - Motor Vehicles

The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar vehicles adjusted for the consideration of the quality and age of motor vehicles. There has been no change to the valuation technique during the year.

All property, plant and equipment held by the Group are held and are categorised as level 3 of the fair value hierarchy. There were no transfers between levels of the hierarchy during the year.

Qualitative information about fair value measurements using significant unobservable inputs (Level 3)

Valuation Process

The valuations of motor vehicles are performed at year end once a year on the basis of second hand price on market and consideration of quality of motor vehicles estimated by management. The information and estimation was reviewed by Directors.

The Group reviewed its property, plant and equipment for impairment at 31 March 2014 in accordance with NZ IAS 36. As a result of assessments on usage of motor vehicles, it reduced the recoverable amount (based on fair value less costs of disposal) and therefore the

carrying amount of the motor vehicles down to \$32,925. The write down of \$28,476 has been recognised as an impairment in the Statement of Comprehensive Income.

The significant unobservable inputs used in the determination of fair value are detailed below:

Description of asset	Fair value at 31 March 2014	Valuation technique	Unobservable input	Input(average)
GROUP				
Motor Vehicles	\$32,925	Market comparable approach	Second hand price	\$10,900 (2013: \$22,200)

Sensitivity of unobservable inputs

A decrease/(increase) of 30% in the second hand price will result in a lower/(higher) fair value of motor vehicles of \$9,870.

9. Receivable from Sale of Property

In 2011, Inner Mongolia Plate Mining Co Limited was unable to extend the lease of its office in Hohhot for any significant period of time and instead purchased an office.

The office was sold in December 2013 and a deposit of RMB 350,000 received. The outstanding balance of RMB 1,250,000 (\$219,287) is recorded as an outstanding debtor and is due to be received before the end of 2014. There is no indication of impairment and therefore the Directors have assessed that the maximum exposure to credit risk is the balance yet to be received.

10. EMPLOYEE BENEFIT EXPENSE

The bulk of the Company and Group personnel exploration resource is undertaken by qualified people on longer term arrangements. Previously this was initially capitalised as exploration expenditure. However with the decision to cease drilling programmes in the year ended 31 March 2013 all employee benefit cost are now expensed directly to the Statements of Comprehensive Income. These personnel are supported by people at offices in New Zealand and China.

	GROUP	
	2014	2013
	\$	\$
Wages and Salaries	21,777	26,479
Pension costs - Defined Contribution	5,442	5,020
Other Employee Benefits	2,864	2,137
	<u>30,083</u>	<u>33,636</u>
Number of salaried employees recorded as salary and wage expense	3	3

11. TRANSACTIONS WITH RELATED PARTIES

Key management personnel are the directors (executive & non executive).

Anna Di has been included under this note as she is both an employee and daughter of Fu La. Michael Wilcox has been included as is both the accountant and shares trust relationships with Stephen McPhail.

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

Share based compensation was incurred and payment for consulting fees and reimbursement of expenses was made to Stephen McPhail (Director and Shareholder), to Bodhi Svaha Holdings Limited being a company in which Stephen McPhail has an interest.

Share based compensation was incurred and payment for consulting fees and reimbursement of expenses were made in the year ended 31 March 2013 to Selwyn Geosurveys Limited being a company in which Bruce Bell (Past Director and Shareholder) had an interest.

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

Payment of director fees and expenses were made to John Quinn (Past Director and Shareholder) in the year ended 31 March 2013 and to Widespread Portfolios Limited now renamed Aore Resources Limited (Shareholder) for Chris Castle (Director).

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

Payment for accounting fees was made to Michael Wilcox.

RELATED PARTY EXPENDITURE (Reimbursement of expenditure, consulting fees & salary)	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
Director Fees				
Aore Resources Limited for Chris Castle	28,421	35,086	28,421	35,086
John Quinn	-	48,750	-	48,750
Other services provided by Directors & entities associated with Directors				
Bruce Bell	-	4,331	-	4,331
Bodhi Svaha Holdings Ltd	73,442	239,493	73,442	239,493
Chris Castle	-	489	-	489
Fu La	31,052	80,867	-	-
Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited	73,040	174,000	73,040	174,000
John Quinn	-	10,838	-	10,838
Selwyn Geosurveys Ltd	-	104,657	-	104,657
Stephen McPhail	6,277	9,751	6,277	9,751
Aore Resources Limited	2,294	5,262	2,294	5,262
Shareholders				
Di Anna	5,711	13,033	5,711	13,033
Michael Wilcox	27,942	26,031	27,942	26,031
	<u>219,758</u>	<u>752,588</u>	<u>188,706</u>	<u>671,721</u>
SHARE BASED COMPENSATION				
	2014	2013	2014	2013
	\$	\$	\$	\$
Directors				
Stephen McPhail	18,933	20,017	18,933	20,017
Fu La	18,914	20,017	18,914	20,017
Chris Castle	13,125	-	13,125	-
Bruce Bell	-	29,447	-	29,447
Shareholder				
Di Anna	-	494	-	494
	<u>50,972</u>	<u>69,975</u>	<u>50,972</u>	<u>69,975</u>

OWING TO RELATED PARTIES	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
Directors & entities associated with Directors				
Bodhi Svaha Holdings Ltd	2,205	9,542	2,205	9,542
Fu La	3,197	8,000	1,200	8,000
Shareholder				
Di Anna	411	49	411	49
Michael Wilcox	8,603	9,564	8,603	9,564
	<u>14,416</u>	<u>27,155</u>	<u>12,419</u>	<u>27,155</u>

OWING BY RELATED PARTIES	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
Subsidiary				
Inner Mongolia Plate Mining Co Limited *	-	-	582,506	1,264,497
Directors & entities associated with Directors				
Bruce Bell	-	1,607	-	1,607
Fu La	-	5,462	-	-
Stephen McPhail	204	-	204	-
	<u>204</u>	<u>7,069</u>	<u>582,710</u>	<u>1,266,104</u>

* The directors have impaired the carrying values of receivables from the subsidiary based on the net assets of the subsidiary.

12. SHARE CAPITAL AND OTHER RESERVES

Share Capital

Issued share capital is represented by:

		Number of Shares	Issue Price \$	Average Issue Price \$/Share
Opening Balance	1 April 2012	166,287,552	16,992,950	0.10
Shares Issued		56,851,708	941,436	0.02
Capital Raising Costs		-	(37,522)	
Options Expired Reclassification		-	(389,882)	
Closing Balance	31 March 2013	<u>223,139,260</u>	<u>17,506,982</u>	0.08
Opening Balance	1 April 2013	223,139,260	17,506,982	0.08
Shares Issued		31,371,875	125,951	0.00
Capital Raising Costs		-	(1,380)	
Closing Balance	31 March 2014	<u>254,511,135</u>	<u>17,631,553</u>	0.07

On 24th January 2014 at an extraordinary meeting, resolutions were passed to authorise issue of 31,371,875 shares which included issuance of 14,721,875 shares as part payment of fees for directors to 30 June 2014 (\$35,516 in the 2014 year and \$23,363 in the 2015 financial year, 2013: Nil). The shares are held in escrow until 30 June 2014.

Share Options

Options have been issued to directors and an employee. Options can be exercised at any time after they have vested. Unexercised share options expire if the employee leaves the Group and directors do not use their discretion to extend up to 6 months or if unexercised at the option expiry date. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Options issued as at balance date are as follows:

			2014		2013	
			Average exercise price in \$A per share	Number of Options	Average exercise price in \$A per share	Number of Options
	Expiry date					
At 1 April	3 March 2014	*	0.050	1,000,000		
At 1 April	29 July 2014	*	0.100	3,100,000	0.100	3,100,000
At 1 April	25 March 2016	*	0.120	165,000	0.120	500,000
At 1 April	29 July 2016	*	0.120	1,963,000	0.120	2,900,000
Granted	3 March 2014	*	0.050	-	0.050	1,000,000
Granted	4 October 2014	*	0.033	-	0.033	1,800,000
Lapsed	3 March 2014	*	0.050	(1,000,000)	-	-
Lapsed	29 July 2014	*	0.100	(1,100,000)	-	-
Lapsed	4 October 2014	*	0.033	-	0.033	(1,800,000)
Lapsed	25 March 2016	*	0.120	(165,000)	0.120	(335,000)
Lapsed	29 July 2016	*	0.120	(363,000)	0.120	(937,000)
			<u>0.109</u>	<u>3,600,000</u>	<u>0.089</u>	<u>6,228,000</u>

* No participation in future dividends until exercised

Option movements during the year

The 1,000,000 options issued to Dayton Way as part consideration for their work in capital raising lapsed.

In addition 464,000 options issued to employees were lapsed after the company restructuring and a further 1,164,000 options lapsed due to the death of a founding director Bruce Bell.

At 31 March 2014, the Company determined that, based on the Black Scholes valuation model; assuming a stock volatility ranging between 80% to 120% depending on time of grant that the weighted average fair value of share options granted was shown below:

Fair Value of Options to the Company - 2014				Significant Inputs into Pricing Model			
Expiry Date	Number of Options Granted	Fair Value of each option \$	Total Fair Value of Options \$	Share Price \$	Exercise Share Price	Risk Free Interest Rate %	Price Volatility %
29 July 2014	2,000,000	0.0643	128,600	0.08	0.10	4.920	120
29 July 2016	1,600,000	0.0576	92,160	0.12	0.12	4.950	111
	<u>3,600,000</u>		<u>220,760</u>				

Options exercisable as at balance date are as follows:

Options Vested and therefore exercisable

Expiry Date	2014	2013
3 March 2014	-	1,000,000
29 July 2014	2,000,000	3,100,000
25 July 2016	-	165,000
29 July 2016	1,056,000	891,000
	<u>3,056,000</u>	<u>5,156,000</u>

13. INVESTMENT IN SUBSIDIARIES

Name of Subsidiary	Principal Activity	Country of Incorporation	Equity Holding 2014	Equity Holding 2013
Inner Mongolia Plate Mining Co Limited	Exploration	China	90%	90%

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 Co 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 non-controlling interest.

Inner Mongolia Plate Mining Co Limited has 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 2014 and 31 March 2013. 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	
	2014 \$	2013 \$	2014 \$	2013 \$
Loss attributable to equity holders of the Company	(612,736)	(7,090,891)	(971,164)	(7,105,594)
Weighted average number of ordinary shares on issue	<u>230,298,652</u>	<u>196,279,792</u>	<u>230,298,652</u>	<u>196,279,792</u>
Basic earnings per share (\$ per share)	<u>(0.00)</u>	<u>(0.04)</u>	<u>(0.00)</u>	<u>(0.04)</u>

15. COMMITMENTS

The Company and Group have no non cancellable operating leases.

The Group had no commitments at 31 March 2014 (2013: Nil).

16. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent liabilities at 31 March 2014 (2013: Nil).

17. RECONCILIATION OF FINANCIAL PERFORMANCE AND OPERATING CASH FLOW

	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
(Deficit) for Year	(612,736)	(7,090,891)	(971,164)	(7,105,594)
Non Cash Items				
Amortisation	-	163	-	163
Depreciation	-	15,183	-	3,337
Loss on Sale	-	1,558	-	1,558
Gain on Sale	(165)	(15,555)	(165)	-
Share Option Expense	15,428	131,945	15,428	131,945
Foreign Exchange	(11,717)	(10,214)	(11,717)	(10,176)
Loss on Property for Sale	28,743	30,593	-	-
Impairment on Other Fixed Assets	38,010	103,630	1,951	-
Write Off of Exploration Expenditure	140,839	6,097,327	-	2,794,964
Impairment of investment in Subsidiary	-	-	-	1,126,008
Impairment of Advances to Subsidiary	-	-	681,992	2,399,748
Service fees settled with Shares	35,516	-	35,516	-
Movement in Working Capital				
Other Receivables - Related Parties	6,865	835,390	1,402	(17,736)
Other Receivables - Tax on Interest	4,338	23,120	4,338	23,120
Other Receivables - Other	30,482	11,039	30,000	5,306
Accounts Payable - Related Parties	(12,739)	(899,701)	(14,736)	(13,462)
Accounts Payable - Other	(44,691)	119,431	(6,430)	(36,756)
Items classified as Investing Activities				
Movement in Accounts Payable for Exploration	83,987	(228,277)	2,030	36,406
Increase in Advance to Subsidiary	-	-	-	18,064
Liabilities settled with Fixed Assets	-	43,562	-	-
Net Cash used in Operating Activities	<u>(297,840)</u>	<u>(814,935)</u>	<u>(231,555)</u>	<u>(640,973)</u>

18. INCOME TAX EXPENSE

Tax losses are available to carry forward subject to review by the relevant Chinese taxation authority for subsidiary Inner Mongolia Plate Mining Co Limited. However these losses are only able to be carried forward up to 5 years commencing at the year when the loss is incurred.

Tax losses are available to carry forward subject to agreement by the relevant New Zealand taxation authority for King Solomon Mines Limited. King Solomon Mines Limited has been involved in discussions with the New Zealand Inland Revenue Department in the past year and agreed to a reduced tax loss carried forward as expenditure relating to exploration in China is not being claimed.

However the future tax benefit of these losses has not been recognised as the realisation of these benefits is not probable.

	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
Income Tax Expenses				
Loss (\$A)	(612,736)	(7,090,891)	(971,164)	(7,105,585)
Tax @ 28%	(171,566)	(1,985,450)	(271,926)	(1,989,564)
Expenses not deductible for tax purposes	41,542	1,548,155	229,946	1,889,383
Timing difference and tax losses not recognised as deferred tax	130,024	437,295	41,980	100,181
Australian Resident Excess Withholding Tax	-	9	-	9
Income tax expenses	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>
Calculation of cumulative deferred tax benefit not recognised				
Tax losses brought forward	7,348,339	6,619,120	1,097,375	726,422
Foreign exchange on loss brought forward	1,099,474	35,788	181,507	13,163
Tax loss for year	464,372	1,561,769	149,930	357,790
NZ Losses forfeited due to lack of continuity	(410,114)	-	(410,114)	-
Chinese time bound tax losses forfeited	<u>(1,627,258)</u>	<u>(868,337)</u>	<u>-</u>	<u>-</u>
Future tax losses not brought to account	6,874,812	14,442,983	1,018,698	1,097,375
Prima facie tax benefit at 28%	<u>1,924,947</u>	<u>4,044,035</u>	<u>285,235</u>	<u>307,265</u>

19. FEES PAID TO AUDITORS

Fees payable to PwC for audit and review of the King Solomon Mines Limited financial statements amounted to \$25,643 (2013: \$30,358).

Fees payable to other auditors for the audit of Inner Mongolia Plate Mining Limited amounted to \$1,062 (2013: \$1,450).

20. 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 cash and cash equivalents 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 \$4,197 (2013: \$58,316). These are not considered to be at significant risk for the Group as the bank is considered secure and with a high credit rating being a trading bank with "A" grade or better.

Aged Group Receivables

	Current	> 90 Days	Total
	\$	\$	\$
2014	15,480	229,110	244,590
2013	52,477	10,172	62,649

Current receivables are expected to be realised within standard timeframes. Items greater than 90 days are proceeds from the sale of building (note 9) and deposits. The receivable from the sale of building is expected to be received by the end of 2014 based on contractual terms. Deposits (>90 days) will only be returned if the Group no longer requires deposit services. Management has assessed that there is no overdue and accordingly no impairment is required on the above receivables.

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. Thus the Group incurs a foreign exchange gain or loss each year due to the

appreciation and depreciation of the Australian dollar relative to the United States dollar, the New Zealand dollar and Chinese Yuan.

The exposure to currencies of the Group is as follows:

	2014	2013
	\$	\$
United States dollar	741	658
New Zealand dollar	45,536	77,965
Australian dollar	53,280	177,680
Chinese Yuan	4,197	58,316
	<u>103,754</u>	<u>314,619</u>

The potential impact on the bank accounts, net deficits and equity of movements in foreign currency exchange rates (calculated by applying the change in foreign exchange rate to foreign currencies held at balance date) is indicated below:

Potential Foreign Exchange Rate Fluctuation	5%	10%	20%
	\$	\$	\$
Impact on valuation of holding in:			
United States dollar	37	74	148
New Zealand dollar	2,277	4,554	9,107
Chinese Yuan	210	420	839
Total Impact of potential change in exchange rate	<u>2,524</u>	<u>5,048</u>	<u>10,094</u>

Interest rate and liquidity risks

The Group receives interest on its bank deposits. Interest rate risk is not significant as deposits have matured.

The Group manages its liquidity risk by raising capital and selling assets to ensure sufficient cash on hand. All amounts shown as current financial liabilities are expected to be paid on demand and without interest. However management are deferring payment for drilling (\$226,081) until proceeds from the sale of property and tenements are received.

Capital Risk Management

The Group's objective is to ensure that their net assets are sufficient to meet all present and future obligations (see note 2.1).

Fair value

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

	GROUP		PARENT	
	2014	2013	2014	2013
	\$	\$	\$	\$
Loans and receivables				
Cash and Cash Equivalents	103,754	314,333	99,557	256,017
Receivable from Sale of Property	219,287	-	-	-
Other Receivables - Related Parties	204	7,069	582,710	1,266,104
Other Receivables - Other	25,099	55,580	12,732	42,731
Total loans and receivables	<u>348,344</u>	<u>376,982</u>	<u>694,999</u>	<u>1,564,852</u>
Financial liabilities at amortised cost				
Accounts Payable - Related Parties	(14,416)	(27,155)	(12,419)	(27,155)
Accounts Payable - Other	(256,600)	(301,291)	(20,759)	(27,189)
Total financial liabilities	<u>(271,016)</u>	<u>(328,446)</u>	<u>(33,178)</u>	<u>(54,344)</u>

21. POST PERIOD EVENTS

There are no subsequent events that should be considered for this period.

DIRECTORS' DISCLOSURES

Directors Holding Office

The following directors have held office during the period.

Stephen McPhail	Appointed 28 January 2003
Fu La	Appointed 5 May 2004
Chris Castle	Appointed 31 October 2005

Directors' Shareholding

As at 31 March 2014, the following Directors had the following relevant interests in shares in King Solomon Mines Limited.

	Beneficial	Non-Beneficial
Fu La	12,981,688	-
Stephen McPhail	10,639,090*	1,060,000**
Chris Castle	3,700,000	-

** Stephen McPhail is a trustee and beneficiary of the Paradise Now Trust ("PNT"). He has a legal and beneficial interest in 4,989,090 Shares which he holds as a trustee of PNT. He has a beneficial interest in 5,650,000 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 1,060,000 Shares which he holds as a trustee of the Wilcox Arcadian Trust.*

Disclosure of Directors' Share Dealings

BSHL and AMX each received 4,900,000 shares at 0.4c as part payment for supplying the services of Stephen McPhail and Fu La, respectively, as executive directors. Chris Castle acquired 2,500,000 shares at 0.4c as a private placement. These share issues were approved by shareholders at an extraordinary general meeting on 24 January 2014.

Disclosure of Directors' Share Options

As at 31 March 2014, options issued to directors were as follows:

Fu La	800,000*
	<u>900,000**</u>
	1,700,000
Stephen McPhail	800,000*
	<u>900,000**</u>
	1,700,000

** Options were issued under the Employee Share Option Plan with an exercise price of \$0.12 and an expiry date of 29 July 2016. These options vest 33% on 29 July 2012, 33% on 29 July 2013 and 34% on 29 July 2014.*

*** Options were issued under the Employee Share Option Plan with an exercise price of \$0.10 and an expiry date of 29 July 2014. These options have vested.*



Independent Auditors' Report

to the shareholders of King Solomon Mines Limited

Report on the Financial Statements

We were engaged to audit the financial statements of King Solomon Mines Limited ("the Company"), which comprise the statements of financial position as at 31 March 2014, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entity it controlled at 31 March 2014 and during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. Because of the matters described in the Basis for Disclaimer of opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Other than in our capacity as auditors we have no relationship with, or interests in King Solomon Mines Limited or its subsidiary.

Basis for Disclaimer of Opinion

An audit would ordinarily involve performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected would ordinarily depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The financial statements for the Group and Company for the year ended 31 March 2014 have been prepared on a realisation basis. As disclosed in the statement of accounting policies in note 2 to the financial statements, the Directors have assessed that it will be difficult to obtain additional capital to fund further exploration and/or development expenditure. Accordingly, the Group has no realistic alternative but to sell core assets. Consequently, the Group and the Company is no longer deemed to be a going concern.

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Independent Auditors' Report

King Solomon Mines Limited

The financial statements include certain material amounts based on Directors estimates of net realisable value. We were unable to undertake any audit procedures on these estimates. We were therefore unable to obtain sufficient audit evidence to support the carrying values of exploration and evaluation assets at 31 March 2014 which are stated in the Group's balance sheet at \$1,000,658. We were also unable to obtain sufficient audit evidence to support the carrying values of the Company's investment in subsidiary and receivables from subsidiary at 31 March 2014, which are stated in the Company's balance sheet at \$nil and \$582,506 respectively. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of exploration and evaluation assets, investment in subsidiary and receivables from subsidiary, and the elements making up the statements of comprehensive income and statements of changes in equity.

Disclaimer of opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements on pages 1 to 27.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 31 March 2014:

- (i) as noted above, we have not obtained all the information and explanations that we have required; and
- (ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

Chartered Accountants
5 June 2014

Wellington

CORPORATE GOVERNANCE STATEMENT

Corporate Governance

The Board of Directors of King Solomon Mines Limited (ASX:KSO) is responsible for corporate governance and strives for high standards in this regard. The Board monitors the business and affairs of the Company 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 Australian Securities Exchange (ASX) Corporate Governance Council in August 2007 with 2010 amendments (including the June 2010 recommendations on diversity). The Company notes that on 27 March 2014 the ASX Corporate Governance Council released its Third Edition of the Corporate Governance Principles and Recommendations and that, over the course of the upcoming financial year, the Board will consider the changes made in the new edition, apply them to its Corporate Governance procedures and report on them in its Statement in the 2015 Annual Report. Therefore, in this year's Annual Report, commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 2nd Edition (Principles and Recommendations), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. At a number of its meetings the Board examined the Company's 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 the Company 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 ASX Corporate Governance Council publication "Corporate Governance Principles and 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 reports, below, on how it has followed, or otherwise departed from, each of the Principles and Recommendations during the current financial year. 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 has considered new arrangements to enable compliance. In a limited number of instances, the Company has determined 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 its size.

The following paragraphs set out the Company's position relative to each of the eight 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 three Directors (one Non-Executive Director, Christopher Castle, plus the Managing Director, Stephen McPhail, and a second Executive Director Fu La) and a small team of two part-time employees, so roles and functions have to be flexible to meet specific requirements. The Company has established and disclosed the respective roles and responsibilities of its Board and management, and how their performance is monitored and evaluated.

The Board's role and responsibilities within the Company include:

- Setting and reviewing the vision, goals and strategy of the Company;
- Approving the annual strategic plan of the Company and major operating plans;
- Approving the Company's budgets;
- Reviewing and providing feedback on the performance of the Managing Director;
- Reviewing the performance of the Board and individual Directors;
- Reviewing the Company's half-year and full year financial statements and reports, and quarterly cash-flow statements;
- Determining Company policies and ensuring adequate procedures are in place to manage the identified risks; and
- Carrying out the functions sometimes delegated to a Nomination Committee (due to the small size of the Company).

The role and responsibilities of the Company's Chairman includes:

- Ensuring leadership in setting and reviewing the Company's vision and strategies.
- Setting the Board meeting agendas with the Managing Director, ensuring that Directors receive all relevant information for the Board meetings, chairing the Board meetings and dealing with any conflicts that may arise.
- Chairing the Annual General Meetings (AGMs) and ensuring that shareholders as a whole have the opportunity to speak on relevant matters, and ensuring that the audit partner attends the AGM.
- Being the spokesperson, along with the Managing Director, on external Company matters.
- Being the primary point of contact between the Board and external parties.
- Being kept fully informed on major matters by the Managing Director, chairing the performance appraisal of the Managing Director and providing mentoring.
- Initiating Board and committee performance appraisals, ensuring that the agreed composition of the Board is maintained and that Director induction plans are in place.

The Managing Director's responsibilities, role and duties include:

- Formulating the Company's vision and strategies with the Board, developing action plans to achieve the vision and reporting regularly to the Board on progress made.
- Providing leadership to the management team and employees, appointing and negotiating terms of employment of senior staff members (with the Board's approval where necessary), developing a succession plan, ensuring that procedures are in place for

education and training to ensure compliance with laws and policies. The process for evaluating the performance of executive and staff members has been developed by the Managing Director and the Board.

- The successful implementation of the Company's exploration programme.
- Bringing all matters requiring review/approval to the Board, advising the Board on any changes to the Company's risk profile, providing certification regarding the Company's financial statements for the quarter, half and full year, reporting to the Board on a monthly basis on the performance of the Company and ensuring that the education of Directors on relevant matters occurs.

The Board and management's performance is monitored and evaluated by the Board, its Committees and individual Directors, and these matters are formally reviewed at least once per year at a Board meeting that considers remuneration for the coming year.

Principle 2: Structure the Board to add value

The Company has a Board of an appropriate size and composition, with suitable skills and commitment to enable it to discharge its duties effectively, and 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 two are Executive Directors. The Company does not have a Board Nomination Committee because of the small size of the Board; this function is carried out by the full Board of Directors.

One of the Company's three 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 from 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 strives to act ethically and responsibly at all times, and has adopted a formal Code of Conduct, reflecting the Company's size and the close interaction of individuals throughout the organisation. The Company's Code of Conduct requires that Directors and management 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 Code of Conduct and the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders, and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices, are set out on the Company's website at www.kingsolomonmines.com.

The Company has a Diversity Policy, which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress towards achieving them. Over the past financial year the Board assessed its progress towards achieving gender diversity and concluded that because of the current state of the mineral exploration industry and the difficulty of obtaining finance, its staff size and its ability to achieve gender diversity have been very limited. The measurable objectives the Company has taken for achieving gender diversity set by the Board in accordance with its Diversity Policy and progress towards achieving them have been restricted because of the financial pressures mentioned above. The Company currently has two part-time employees both of whom are women. Due to the size of the Company there are no women in senior executive positions, no women on the Board and two female employees in the organisation of five. The Company's Diversity Policy can be found under the Corporate section of the Company's website at www.kingsolomonmines.com

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 that might affect trading in the Company's securities. Purchases or sales in the Company's shares by Directors, employees and key consultants are to 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 Company shares at any time if they are aware of any price-sensitive information that has not been made public.

Principle 4: Safeguard integrity in financial reporting

The Company has formal and rigorous processes that independently verify and safeguard the integrity of its corporate 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, 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 Non-Executive Director Mr Castle (Audit Committee Chairman) and Managing Director Mr McPhail. These Directors have the applicable expertise and skills for the Audit Committee. This structure does not meet the ASX's guidance regarding independence, in that the majority are not independent Directors, the Committee does not have at least three members, the Committee Chairman is the Chairman of the Board

and all members of the Committee are not Non-Executive. This is a result of the Company having a small Board with two Executive members and one Non-Executive member. In order to have two members on this Committee, it was necessary to include an Executive Director, in this case Mr McPhail, who is the Managing Director and who is involved in the financial management of the Company. As the Board adds additional Non-Executive Directors, it is planned that Mr McPhail 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 auditor (including the scope and quality of the audit).

Principle 5: Make timely and balanced disclosure

The Company makes timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. The Company, its Directors and staff are very aware of the ASX's continuous disclosure requirements, and operates 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 designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance, and discloses those policies or a summary of those policies.

Principle 6: Respect the rights of shareholders

The Company respects the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively. All significant information that is disclosed to the ASX is then posted on the Company's website at www.kingsolomonmines.com. 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 at www.kingsolomonmines.com. 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 policy to promote effective communication with shareholders, as it believes this is excessive for small companies, the Company does communicate regularly with shareholders and encourages their participation at general meetings. The Company requests the external auditor to attend general meetings and this has been supported by the Company's audit partner at PricewaterhouseCoopers.

Principle 7: Recognise and manage risk

The Company has established a sound risk management framework and periodically reviews the effectiveness of that framework. The Company is a small exploration company, and does not believe that at this stage there is significant need for formal policies on risk oversight and management of material business risks. Risk management arrangements are the responsibility of the Board of Directors and senior management collectively, and Risk Factors are a standing agenda item at Board meetings. The Company receives assurance from the Managing Director and the Financial Controller that the system of risk management and internal control is sound, and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The Company pays Director remuneration that is sufficient to attract and retain high quality Directors and has designed its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders. The Directors believe that the size of the Company makes individual salary and contractor negotiation more appropriate than formal remuneration policies. The Company has a Remuneration Committee of one Non-Executive Director, Mr Castle (Committee Chairman), and the Managing Director, Mr McPhail, 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. The Remuneration Committee seeks independent external advice and market comparisons as necessary. The structure of the Remuneration Committee does not comply with the ASX's recommendation in that it does not consist of a majority of independent Directors but it is chaired by an independent Chair and it does not comply in that it does not have at least three members. In accordance with reporting requirements, the Company discloses the fees and other remuneration paid to all its Directors and senior management, and it clearly distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior executives.

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.

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 31 May 2014 (per ASX listing rule 4.10)

SUBSTANTIAL SHAREHOLDERS

Substantial shareholders	Shareholding	% Shares Issued
Aorere Resources Limited	13,361,875	5.25%
Fu La	12,981,688	5.10%

Number of ordinary shares held	Number of Holders	Ordinary Shares
1 - 1,000	12	2,661
1,001 - 5,000	40	134,150
5,001 - 10,000	100	950,876
10,001 - 100,000	358	16,961,966
100,001 - and over	267	236,461,482
Total	777	254,511,135

Based on the market price at 31 May 2014 there were 565 shareholders with less than a marketable parcel of 166,667 shares.

Top 20 HOLDERS OF ORDINARY SHARES

Name of Shareholder	Shares	% Shares Issued
FORSYTH BARR CUSTODIANS LTD	14,357,500	5.64
GLENLORA TRUSTEES LIMITED	10,000,000	3.93
FU LA	8,081,688	3.18
MR JOHN RUSSELL SIGNAL + MRS MICHELLE SIGNAL	8,004,000	3.14
CHRISTOPHER DAVID CASTLE	7,466,875	2.93
UBS NOMINEES PTY LTD	5,866,762	2.31
BODHI SVAHA HOLDINGS LIMITED	5,650,000	2.22
MALCOLM MILNE SMITH	5,162,935	2.03
TONY ADAMS	5,000,000	1.96
STEPHEN MCPHAIL + MICHAEL WILCOX	4,989,090	1.96
CUSTODIAL SERVICES LIMITED	4,951,486	1.95
INNER MONGOLIA AO MENG XIN ECONOMIC AND TRADE CO LTD	4,900,000	1.93
BT PORTFOLIO SERVICES LIMITED	4,228,571	1.66
MARGARET HARWOOD BELL	3,500,000	1.38
GRAHAM BASKIVILLE-ROBINSON + HEATHER BASKIVILLE-ROBINSON	3,301,170	1.30
TOPETE PTY LTD	3,232,400	1.27
RUSSELL STANDAGE	3,052,589	1.20
KEITH GEORGE MCDONALD	3,000,000	1.18
ANDRE GLEN WHITE + JUDITH PATRICIA WHITE	2,705,000	1.06
MICHAEL ANTHONY CONNOR	2,700,000	1.06
Total of top 20 holdings	110,150,066	43.28
Other holdings	144,361,069	56.72
Total fully paid shares issued	254,511,135	100.00

OPTIONS

Name of option holder	Shares option holder entitled to	Exercise Price	Option expiry date
Fu La	1,700,000	\$0.10 - \$0.12	29 July 2014 – 29 July 2016
Stephen McPhail	1,700,000	\$0.10 - \$0.12	29 July 2014 – 29 July 2016
Anna Di	200,000	\$0.10	29 July 2014
	3,600,000		