



King Solomon Mines Limited

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10 February 2014

Ms L Banh
Adviser
Listings Compliance
ASX Limited

Dear Lisa

I refer to questions in your letter of 6 February 2014.

Responses to ASX questions

In light of the Auditor's Report, the information contained in the Interim Report, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of the financial performance and financial position of the Company?

We confirm that in the Directors' opinion the Half Year Accounts comply with the relevant Accounting Standards; and give a true and fair view of the financial performance and financial position of the Company.

2. Please explain the basis for and the factors considered by the Directors in relation to the carrying values attributed to the exploration and evaluation assets and property for resale.

In regards to the carrying values attributed to the exploration and evaluation assets, the Directors took advice from its China Manager and Executive Director (LaFu) who has been responsible for all acquisitions and sales of exploration licences. He has been involved in acquiring licences in Inner Mongolia for the Company since 2004. Since 2009, he has sold five exploration licences for the Company.

The Directors also took advice from the Company's geological team on the status projects including exploration results to date. They also took into account a weakening gold market.

In relation to the carrying values attributed to the property for resale, the Directors took advice from its China Manager and Executive Director (LaFu). LaFu advised that he had approached parties involved in the property market in Huhhot, Inner Mongolia where the Company's asset for sale is located.

Subsequent to the reporting period, LaFu has advised agreement for sale of the property has been reached and an initial progress payment of RMB 350,000 (\$64,000 at today's exchange rate) has been received. The total sale price is RMB 1.6 million (\$294,000 at today's exchange rate). This compares to a carrying value of \$262,000 in the Half Year Accounts.

3. What steps does the Company intend to take to address the going concern issues of the Company?

The Company has reduced costs to a level which will ensure it can continue to trade until the sale of its exploration and property assets can be completed. It had \$131,000 at the end of the December 2013 quarter and estimated outgoings for the six months to 30 June 2014 of \$69,000.

In parallel with this, it is actively engaged in sourcing new exploration projects and remains committed to its goal of making a large scale discovery. The Company plans to apply the funds released from the sale of its Inner Mongolia based assets to exploration of the new projects. The Company plans to supplement this funding by additional equity raisings as appropriate.

4. What steps does the Company intend to take to address the inability of its Auditor to express an opinion on the Company's financial statements?

The audit qualification will no longer be required when the balance of the funds from the sale of the property are received and when the exploration assets are sold. These two matters are discussed in sections 2 and 3 above. As mentioned in the KSO December 2013 Quarterly Activities Report: "The Company is focused on the sale of Sonid North, its principal project in Inner Mongolia. The continuing difficult state of the commodities market has made it difficult to achieve an early sale".

5. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please also explain the basis for this conclusion.

The Company considers that it has carried out its exploration in accordance with its plans as set out in its 2007 IPO Prospectus and in its subsequent reporting to ASX. While it has not made a major discovery in China, its efforts have enabled it to sell exploration assets as reported to ASX and as mentioned above. From our discussion with shareholders and brokers, our stakeholders are supportive of our plan to use the current funds and the funds from the sale of the Sonid North Gold Project. At this stage the Company plans to retain the remaining tenements in Inner Mongolia for limited geological work, for joint venture or for future sale. The Company will be operating on a restrained scale similar to many smaller ASX listed exploration companies in the current depressed conditions and lower gold price.

6. Does the Company consider that the financial condition of the Company is sufficient for continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please also explain the basis for this conclusion.

The Company considers that the financial condition of the Company is sufficient for continued listing on ASX in accordance with the requirements of listing rule 12.2 as detailed in the response to questions 2, 3, 4 and 5 above.

7. If the answer to questions 5 or 6 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.

Not applicable.

8. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

The Company confirms that it is in compliance with the ASX Listing Rules and, in particular, Listing Rule 3.1. The Company's announcements, particularly information in its Quarterly Activities Reports, ensure that it is in compliance with its continuous disclosure obligations regarding materially price sensitive information.

Yours sincerely

King Solomon Mines Limited

A handwritten signature in black ink, appearing to read 'sgmcp' followed by a large, stylized flourish.

Stephen McPhail
Managing Director



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6 February 2014

Mr Stephen McPhail
Managing Director
King Solomon Mines Limited
PO Box 15 005
Otaki 5542
New Zealand

By Email

Dear Stephen,

King Solomon Mines Limited (the "Company")

ASX refers to the following:

1. The Company's 2013 Interim Report containing the accounts for the half year ended 30 September 2013, lodged with ASX on 12 December 2013 (the "Half Year Accounts").
2. The Independent Review Report on page 16 and 17 of the Half Year Accounts ("Review Report") which contains a Disclaimer of Opinion (the "Disclaimer") states the following:

Basis for Disclaimer of Opinion

As disclosed in the statement of accounting policies in note 2 and critical accounting estimates and judgements in note 3 to the financial statements, the financial statements for the period ended 30 September 2013 have been prepared on a realisation basis and include a number of material amounts based on Directors estimates of net realisable value. We were unable to undertake sufficient review procedures on these estimates of the carrying values of exploration and evaluation assets and property for resale held at 30 September 2013 which are stated in the balance sheet at \$1,056,898 and \$262,045 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, property for resale 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 express a conclusion on the accompanying consolidated interim financial information. Accordingly, we do not express an opinion on the financial statements on pages 3 to 15.

Relevant Listing Rules and Guidance

- Listing Rule 12.1 – *The level of an entity's operations must, in ASX's opinion, be sufficient to warrant the continued quotation of the entity's securities and its continued listing.*

- Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
- Listing Rule 19.11A (b) – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*

(b)The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.

Questions for Response

In light of the Review Report, the information contained in the Half Year Accounts, and the application of the listing rules stated above, please respond to each of the following questions:

1. Is the Company able to confirm that in the Directors' opinion the Half Year Accounts:
 - (a) comply with the relevant Accounting Standards; and
 - (b) give a true and fair view of the financial performance and financial position of the Company?
2. Please explain the basis for and the factors considered by the Directors in relation to the carrying values attributed to the exploration and evaluation assets and property for resale.
3. What steps does the Company intend to take to address the going concern issues of the Company?
4. What steps does the Company intend to take to address the inability of its Auditor to express an opinion on the Company's financial statements?
5. Does the Company consider that its level of operations is sufficient to warrant continued quotation of its securities on ASX in accordance with the requirements of listing rule 12.1? In answering this question, please also explain the basis for this conclusion.
6. Does the Company consider that the financial condition of the Company is sufficient to warrant continued listing on ASX in accordance with the requirements of listing rule 12.2? In answering this question, please also explain the basis for this conclusion.
7. If the answer to questions 5 or 6 is "No", please explain what steps the Company has taken, or proposes to take, to warrant continued listing on ASX in accordance with the requirements of listing rules 12.1 and 12.2.
8. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Please note the ASX reserves its right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 9.30 a.m. A.E.D.T on Tuesday, 11 February 2014.**

Any response should be sent to me by return email on lisa.banh@asx.com.au. It should not be sent to the ASX Market Announcements Office.

If you have any queries regarding any of the above, please contact me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lisa Banh', with a stylized flourish extending from the end.

Lisa Banh

Adviser, Listings Compliance