



King Solomon Mines Limited

ARBN 122 404 666
242 Marine Parade
Otaki 5512, New Zealand
Office (within Australia): 1 800 061 569
(outside Australia): +64 6 364 8462
Fax: +64 6 364 8497
enquiries@kingsolomonmines.com
www.kingsolomonmines.com

16 July 2014

Ms L Banh
Adviser
Listings Compliance
ASX Limited

Dear Lisa

I refer to questions in your letter of 15 July 2014.

Responses to ASX questions

In light of the Auditor's Report, the information contained in the Annual 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 Annual 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 Annual 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.

The company no longer has a property for resale as this was sold in December 2013.

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

The Company continues to operate with reduced costs. It had sufficient cash at the end of the June 2014 quarter to cover costs over the next quarter at the current burn rate. During the next quarter the company will complete a fund raising which is being actively pursued at present. It is continuing to pursue the sale of its principle exploration asset (Sonid North Gold Project).

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 are 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. 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.

5. 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 and 4 above.

6. If the answer to questions 4 or 5 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.

7. 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 'S McPhail', written in a cursive style.

Stephen McPhail
Managing Director



ASX Compliance
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

Telephone 61 2 9227 0409
Facsimile 61 2 9241 7620
www.asx.com.au

15 July 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 2014 Annual Report containing the accounts for the year ended 31 March 2014, lodged with ASX on 30 June 2014 (the "Annual Accounts").
2. The Independent Auditor's Report on page 30 and 31 of the Annual Accounts ("Auditor's Report") which contains a Disclaimer of Opinion (the "Disclaimer") which states the following:

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.

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.

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 Auditor's Report, the information contained in the Annual 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 Annual 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. 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.
5. 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.

6. If the answer to questions 4 or 5 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.
7. 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. AEST on Thursday, 17 July 2014.**

Any response should be sent to me by return email. 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



Lisa Banh

Adviser, Listings Compliance