

King Solomon Mines Limited

ARBN 122 404 666



Annual Report
2015

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CORPORATE DIRECTORY

Directors

Simon T O'Loughlin (Non-Executive Chairman)
Stephen J McPhail (Managing Director)
Simon J R Taylor (Non-Executive Director)

Company Secretary

Robert J Waring

Registered and Administrative Office

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Website

www.kingsolomonmines.com

ASX Code

KSO

ARBN

122 404 666

Share Registry

Computershare Investor Services Pty Limited
Level 11, 172 St Georges Terrace, Perth WA 6000
GPO Box D182, Perth WA 6840
Australia
Telephone: 1300 850 505 (from Australia)
+61 8 9323 2000 (from elsewhere)
Facsimile: +61 8 9323 2033
Website: www.computershare.com.au

Australian Agent

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PO Box 324, Crows Nest, NSW 1585 Australia
Telephone: +61 2 9427 5928

Auditors

PricewaterhouseCoopers
113-119 The Terrace, Wellington, New Zealand

DIRECTORS' REVIEW

Dear Shareholder

The year showed a continuation of the difficult period the mining industry in general has been experiencing and for junior gold explorers around the world.

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. A sale has yet to be concluded.

In November 2014, the Company was successful in raising \$919,000 through fully underwritten rights issue. Following on from this, it raised a further \$138,000 was raised through a placement. The total funds raised of \$1,057,000 placed the Company in a strong position to pursue new opportunities.

The Company has also been successful in securing two new board members who add considerable depth to the board and leave the Company well placed to consider new opportunities.

A review of the Sonid North project is underway with a view to establishing how best to maximise value for the Company.

Over the year, your Company has reviewed a number of potential new projects for acquisition. The Company is continuing with this approach.

There is no separate section on exploration progress as exploration activities were wound down in March 2013. All of the exploration results have previously been reported in quarterly reports. These reports are available on the Company's website www.kingsolomonmines.com or through the ASX.



Simon Taylor
Director



Stephen McPhail
Managing director

SCHEDULE OF TENEMENTS

The Sonid North tenement is 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
Sonid North	T15120091102036733	18.61	100%*
Bu Dun Hua	T15120090420028565	18.78	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.

REPORT OF THE DIRECTORS

Your Directors present the financial report of the Company for the period ended 31 March 2015.

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

Mr Simon O'Loughlin B.A. (Acc)

Non-Executive Chairman

Simon O'Loughlin is the founding member of O'Loughlins Lawyers, an Adelaide-based, medium-sized specialist commercial law firm. He also holds accounting qualifications. Simon has extensive experience and involvement with companies in the resources sector. He has also been involved in the listing and back-door listing of numerous companies on ASX and the National Stock Exchange.

Simon is a non-executive director of Lawson Gold Ltd, WCP Resources Limited, Crest Minerals Limited, Chesser Resources Limited and Petratherm 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 Simon Taylor B.Sc., M.A.I.G.

Non-Executive Director

Simon Taylor is a geologist with over 25 years' experience in exploration, project assessment and development in the resources sector. He has had a diversified career as a resources professional providing services to resource companies and financial corporations. This has been at both a technical and corporate level. Simon's experience spans a range of commodities, including gold, fertilisers (phosphate and potash), base metals, nickel, uranium, coal and coal seam methane. Whilst having experience in Australia, a majority of his projects have also been in countries such as Brazil, Turkey, Uganda, Tanzania, Mali, China, the United Kingdom and North America.

Simon is currently a non-executive director of Chesser Resources Limited and Oklo Resources Limited.

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 O'Loughlin is a director and a shareholder of WCP Resources Ltd, Chesser Resources Ltd, Goldminex Ltd, Lawson Gold Ltd, Petratherm Ltd, Crest Minerals Ltd. and is to be regarded as interested in any transaction which may be entered into with that company.

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

Mr Taylor is a director and a shareholder of Chesser Resources Ltd, Oklo Resources Ltd. and is to be regarded as interested in any transaction which may be entered into with that company.

Directors' Interests in Shares and Options

Directors' interests in shares and options as at 31 March 2015 are set out in Director's Disclosure after Note 23 to the financial statements and the Disclosure of Directors Share Dealings at page 28 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 \$1,099,546.

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 3 part-time employees as at 31 March 2015. 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 2015 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 2015.

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 2015 \$	Option Remuneration 2015 \$	Other Remuneration 2015 \$	Director Fees 2014 \$	Option Remuneration 2014 \$	Other Remuneration 2014 \$
Simon O'Loughlin	15,000					
Stephen McPhail		1,715	51,952		7,714	59,861
Simon Taylor						
Fu La	15,000	1,715	45,000		7,714	66,000
Chris Castle	28,288			28,421		

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 October 2014, Director's fees were increased to \$30,000 per annum. Executive directors do not receive director fees. Mr. McPhail is considered an executive director.

Directors' Employment and Service Contracts

Messrs O'Loughlin and Taylor have not entered employment contracts with the Company. The Company has entered a service agreements with Bodhi Svaha Holdings Limited ("BSHL") 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 \$52,079 for services.

The fee to BSHL for services is \$5,000 per month. 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.

Share Options

Particulars of options granted over un-issued shares:

- i) There were no shares issued during the period ended 31 March 2015 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:

1,600,000 options, 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	6	6
Simon T O'Loughlin	1 October 2014	5	5
Simon J T Taylor	1 October 2014	5	4

Non-Executive Directors, Messrs S. O'Loughlin, S. Taylor and 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 1 Remuneration Committee meeting during the period. Messrs S. O'Loughlin, S. Taylor 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.

KING SOLOMON MINES LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2015

		GROUP	
	Note	2015	2014
		\$	Restated \$
Other Income			
Foreign Exchange Gain		6,466	11,717
Gain on Sale of Fixed Assets		-	165
Interest Received		4,477	1,912
Reversal of Impairment	8	63,739	-
Sale of Licences		63,909	-
		-----	-----
Total Other Income		138,591	13,794
Expenses			
Directors and Professional Fees	11	193,508	170,911
Employee Benefits Expense	10	26,114	30,083
Depreciation of Fixed Assets	8	35,028	38,010
Office Expenses		33,321	46,337
Other Expenses		95,385	80,563
Share Option Expense	12	3,431	15,428
Write Off of Exploration Expenditure	7	765,727	140,839
Write down of Property available for sale		-	28,743
Exploration Asset Maintenance Expenses	19	85,421	106,409
		-----	-----
Total Expenses		1,237,935	657,323
Loss before Tax		(1,099,344)	(643,529)
Income Tax Expense	18	202	-
		-----	-----
Loss attributable to the Owners of the Company		(1,099,546)	(643,529)
Other Comprehensive Income			
(Items that may be reclassified subsequently to profit or loss)			
Currency Translation Differences		208,481	169,240
		-----	-----
Total Comprehensive Income net of tax attributable to Owners of the Company		<u>(891,065)</u>	<u>(474,289)</u>
		\$ /share	\$ /share
Loss Per Share			
Basic Loss per Share	14	(0.00)	(0.00)
Diluted Loss per Share	14	(0.00)	(0.00)

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

KING SOLOMON MINES LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015

GROUP

	Note	Share Capital \$	Share Options \$	Foreign Currency Translation Reserve \$	Accumulated Loss \$	Total Shareholder Funds \$
Equity as at 1 April 2013		17,506,982	313,382	432,772	(16,803,654)	1,449,482
Comprehensive Income:						
Loss for Year	19	-	-	-	(643,529)	(643,529)
Other Comprehensive Income:						
Currency Translation Differences		-	-	169,240	-	169,240
Total Comprehensive Income for the Year		-	-	169,240	(643,529)	(474,289)
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	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	(17,279,035)	1,115,192
Restated equity as at 1 April 2014	19	17,631,553	217,329	545,345	(17,279,035)	1,115,192
Comprehensive Income:						
Loss for Year		-	-	-	(1,099,546)	(1,099,546)
Other Comprehensive Income:						
Currency Translation Differences		-	-	208,481	-	208,481
Total Comprehensive Income for the Year		-	-	208,481	(1,099,546)	(891,065)
Transactions with owners:						
Options Expense	12	-	3,431	-	-	3,431
Options Expired	12	-	(128,600)	-	128,600	-
Shares Issued	12	1,211,090	-	-	-	1,211,090
Capital Raising Costs	12	(109,641)	-	-	-	(109,641)
Total transactions with Owners:		1,101,449	(125,169)	-	128,600	1,104,880
Equity as at 31 March 2015		18,733,002	92,160	753,826	(18,249,981)	1,329,007

KING SOLOMON MINES LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015

		GROUP	
		2015	2014
	Note	\$	Restated \$
SHAREHOLDERS' FUNDS			
Share Capital	12	18,733,002	17,631,553
Share Options	12	92,160	217,329
Foreign Currency Translation Reserve		753,826	545,345
Accumulated Losses		(18,249,981)	(17,279,035)
		-----	-----
TOTAL FUNDS EMPLOYED		1,329,007	1,115,192
		=====	=====
REPRESENTED BY:			
CURRENT ASSETS			
Cash and Cash Equivalents	6	922,661	103,754
Receivable from Sale of Property	9	178,469	219,287
Other Receivables - Related Parties	11	72	204
Other Receivables - Tax on Interest		1,054	634
Other Receivables - Other		35,096	25,099
Prepayments		1,746	-
Prepayments - Related Parties		-	23,363
Motor Vehicles for Sale	8	-	32,925
Other Plant and Equipment for Sale	8	-	11,077
Exploration and Evaluation Assets	7	-	1,000,658
		-----	-----
Total Current Assets		1,139,098	1,417,001
NON CURRENT ASSETS			
Motor Vehicles		74,173	-
Other Plant and Equipment		7,877	-
Exploration and Evaluation Assets		446,173	-
		-----	-----
Total Non Current Assets		528,223	-
TOTAL ASSETS		1,667,321	1,417,001
CURRENT LIABILITIES			
Accounts Payable - Related Parties	11	(20,698)	(14,416)
Accounts Payable - Other	19	(317,616)	(287,393)
		-----	-----
Total Current Liabilities		(338,314)	(301,809)
		-----	-----
NET ASSETS		1,329,007	1,115,192
		=====	=====

On behalf of the Board



Stephen McPhail **Director** 26 May 2015



Simon Taylor **Director** 26 May 2015

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

KING SOLOMON MINES LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2015

	Note	GROUP	
		2015 \$	2014 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Interest		3,845	4,620
Resident Withholding Tax refunded		634	5,794
		-----	-----
		4,479	10,414
Cash was applied to:			
Payments to suppliers		324,671	306,798
Resident Withholding Tax on Interest		1,223	1,456
		-----	-----
		325,894	308,254
Net cash flow - Operating activities	17	(321,415)	(297,840)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Sale of Property for sale	9	87,110	61,400
Sale of Plant and Equipment		-	62,558
		-----	-----
		87,110	123,958
Cash was applied to:			
Purchase of Property Plant and Equipment	8	796	1,441
Purchase of Property available for sale	9	-	13,311
Exploration Expenditure		-	83,988
		-----	-----
		796	98,740
Net cash flow - Investing activities		86,314	25,218
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was received from Issue of Shares		1,156,769	67,073
Cash was applied to Share Raising expenses		(109,641)	(1,380)
		-----	-----
Net cash flow - Financing activities		1,047,128	65,693
		-----	-----
Net cash flows from all activities		812,027	(206,929)
Cash at Beginning of Year		103,754	314,333
Exchange Gains / (Losses) on Cash Balances		6,880	(3,650)
		-----	-----
Cash at End of Year		922,661	103,754
		=====	=====
Represented by:			
Cash at Bank	6	92,203	103,754
Short Term Bank deposits	6	830,458	-
		-----	-----
Cash at End of Year	6	922,661	103,754
		=====	=====

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

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

1. GENERAL INFORMATION

These financial statements are presented in Australian Dollars to reflect the Company listing on the ASX, the influence of the Australian regulatory environment on the raising of any further capital and that this is the functional currency of the Company.

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.

As noted in note 7, the Company ceased exploration activities in March 2013 as the Group and the Company were no longer deemed to be a going concern. Since that time, the Group sought to rationalise core assets and raise further share capital to maximise shareholder value.

The Company undertook a fully underwritten renounceable share offer on 20 October 2014 to supply working capital and increase shareholder value. This has allowed the Directors to start actively assessing exploration and investment options available in and out of China to maximise shareholder value.

The Directors anticipate that King Solomon Mines Limited may require further share capital to undertake any of the exploration and investment options being currently assessed in and out of China for it to continue as a going concern. The Directors acknowledge that there is a level of uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern, however they are confident, given existing financial resources and the anticipated ability to raise additional funds, that it is still appropriate to prepare these financial statements on a going concern basis.

These consolidated financial statements were approved by the Board of Directors on 26 May 2015.

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 2013 and have been prepared under the historical cost convention.

King Solomon Mines Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the ASX Listing Rules. In accordance with the Financial Markets Conduct Act 2013 because group financial statements

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

are prepared and presented for King Solomon Mines Limited and its subsidiaries, separate financial statements for King Solomon Mines Limited are no longer required to be prepared and presented.

Basis of Preparation

The financial statements are prepared on a going concern basis.

Financial statements were prepared on a realisation basis from March 2013 as the Group and the Company were no longer deemed to be a going concern.

However Directors are of the view that since the Company has raised sufficient cash to achieve the Group's on-going objective which is now underway of maximising shareholder value, the financial statements should now be prepared using the Going Concern basis of preparation.

The accounting policies that have been adopted in March 2015 are:

Non-current assets previously classified as current assets for sale have now been reclassified as non-current assets,

The net book value of property, plant and equipment was determined by reference to the original historical cost less impairment and depreciation. Depreciation on these assets has now recommenced over the remaining useful life of the assets.

Changes in the carrying amount of assets continue to be recognised in the statement of comprehensive income.

New Accounting Standards

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to NZ IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group financial statements.

Amendments to NZ IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in NZ IAS 36 by the issue of NZ IFRS 13.

The Group has applied the amendments and there has been no significant impact on the Group financial statements as a result.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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

Fair values are measured 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

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 was 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 in March 2013, the net realisable value of property, plant and equipment was determined by reference to relevant market prices less estimated selling costs (if any). An impairment loss was recognised for the amount by which the assets' carrying amount exceeds its recoverable amount.

All property, plant and equipment is now in March 2015 stated at historical cost less impairment and depreciation. Historical cost included expenditure that was directly attributable to the acquisition of the items. Depreciation will continue to be calculated on the remaining life of the assets.

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 Group's presentation currency.

KING SOLOMON MINES LIMITED

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FOR THE YEAR ENDED 31 MARCH 2015

(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 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.

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at least annually. Where a target area is for whatever reason abandoned, disposed of, or where the Directors form a view that the area is uneconomic, the capitalised expenditure associated with that area is immediately written off.

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).

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 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.

2.17 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.

2.18 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 Group.

CHANGES IN ACCOUNTING POLICIES

The change from a Realisation Basis to a Going Concern basis of preparation required the reclassification of certain assets to non-current assets, rather than as current assets available for sale.

The Group has recommenced the calculation of depreciation over the remaining useful lives of property, plant and equipment. These assets appear fairly valued if we assume an ordered process of disposal.

There has been an increase in the carrying value of motor vehicles following this change as a prior impairment based on market value of motor vehicles previously made has been reversed. This is on the basis that the motor vehicles are in use by the Group and are not for sale. The carrying value represents the value in use to the Group (note 8).

Other than these changes required as a result of the change from a realisation basis to a going concern basis of preparation, there has been no change in accounting policies from those applied at 31 March 2014.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

In particular the 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 for details 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.

As there is only one segment as at 31 March 2015 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:

	New Zealand \$	China \$	Consolidated \$
31 March 2014			
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
	1,848	1,262,099	1,263,947
	New Zealand \$	China \$	Consolidated \$
31 March 2015			
Receivable from Sale of Property	-	178,469	178,469
Motor Vehicles	-	74,173	74,173
Other Plant and Equipment	1,436	6,441	7,877
Exploration and Evaluation Assets	-	446,173	446,173
	1,436	705,256	706,692

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

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

5. IMPUTATION CREDIT ACCOUNT

	GROUP	
	2015	2014
	\$	\$
Balance Carried Forward	16,776	14,404

6. CASH AND CASH EQUIVALENTS

	GROUP	
	2015	2014
	\$	\$
Cash	235	369
Cash at Bank	91,968	103,385
Short Term Bank Deposits	830,458	-
Total Cash & Cash Equivalents	922,661	103,754

7. EXPLORATION AND EVALUATION EXPENDITURE

The results of drilling at all tenements have not been as encouraging as hoped. All drilling programmes ceased in 31 March 2013. The Group has sold the Naogaoshandu and Marmot tenements effective October 2014 and the Group is considering options for the other tenements. The Directors have impaired the carrying value of the tenements based on the Directors' best estimate of the likely sales price of each tenement.

The Directors reviewed its exploration and evaluation assets at 31 March 2015 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 these 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 to \$446,173. The write down of \$765,727 has been recognised as an impairment in the Statement of Comprehensive Income.

As at 31 March 2015 the amount of liabilities arising from the exploration for and evaluation of mineral resources is \$273,808 (2014: \$226,081).

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

	GROUP	
	2015	2014
	\$	\$
<u>Exploration phase:</u>		
Opening Balance	1,000,658	995,332
Foreign Exchange on Opening Balance	211,242	146,165
Expenditure written off during the Year	(765,727)	(140,839)
Closing Balance	446,173	1,000,658

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

The expenditure is allocated over the following prospects:

Prospect	GROUP	
	2015	2014
	\$	\$
Sonid North	424,926	843,316
Naogaoshandu	-	50,000
Marmot	-	57,342
Bu Dun Hua	21,247	50,000
Total Exploration and Evaluation Expenditure	446,173	1,000,658

8. PROPERTY, PLANT AND EQUIPMENT

	GROUP			
	Motor vehicles	Office furniture and equipment	Plant and equipment	Total property plant and equipment
	\$	\$	\$	\$
<u>Year ending 31 March 2014</u>				
Opening Net Book Amount	107,075	14,496	3,732	125,303
Foreign Exchange Movement	15,725	1,388	548	17,661
Additions	-	1,605	-	1,605
Sales & Disposals	(61,400)	(1,158)	-	(62,558)
Impairment	(28,475)	(8,589)	(946)	(38,010)
Closing Net Book Amount	32,925	7,743	3,334	44,002
<u>As at 31 March 2014</u>				
Cost	204,712	80,758	31,099	316,569
Provision for Impairment	(52,629)	(9,473)	(3,859)	(65,961)
Accumulated Depreciation	(119,158)	(63,542)	(23,906)	(206,606)
Net Book Amount	32,925	7,743	3,334	44,002
<u>Year ending 31 March 2015</u>				
Opening Net Book Amount	32,925	7,743	3,334	44,002
Foreign Exchange Movement	6,950	887	703	8,540
Depreciation	(29,441)	(4,453)	(1,134)	(35,028)
Reversal of Impairment	63,739	-	-	63,739
Closing Net Book Amount	74,173	4,974	2,903	82,050
<u>As at 31 March 2015</u>				
Cost	247,927	92,892	36,314	377,133
Provision for Impairment	-	(11,473)	(4,674)	(16,147)
Accumulated Depreciation	(173,754)	(76,445)	(28,737)	(278,936)
Net Book Amount	74,173	4,974	2,903	82,050

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The Group reviewed its property, plant and equipment impairment in accordance with NZ IAS 36 as the Group is now not urgently looking for a sale of fixed assets. The carrying value of motor vehicles increased by \$34,298 reflecting the value in use to the Group of these assets. The value in use was compared to market information to ensure it was not higher than the recoverable amount.

This reversal of the impairment is recognised in the Statement of Comprehensive Income.

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 for RMB 1,600,000. It has received progress payments from the purchaser of RMB 760,000.

The property market in Hohhot is currently weak. It is possible the purchaser of the office building may not make the final payment due under the sale agreement by the due date in June 2015. In this case, Inner Mongolia Plate Mining Co Limited might seek to sell the office to another party to recoup what is owed. However no provision has been made against this receivable as there is no indication at this time that it will not be recovered.

10. EMPLOYEE BENEFIT EXPENSE

The bulk of the 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 costs are now expensed directly to the Statement of Comprehensive Income. These personnel are supported by people at offices in New Zealand and China.

	GROUP	
	2015	2014
	\$	\$
Wages and Salaries	18,795	21,777
Pension costs - Defined Contribution	5,304	5,442
Other Employee Benefits	2,015	2,864
	26,114	30,083
Number of salaried employees recorded as salary and wage expense	3	3

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

11. TRANSACTIONS WITH RELATED PARTIES

Key management personnel are the directors (executive & non executive). Fu La and Chris Castle resigned as directors of King Solomon Mines Limited. Simon Taylor and Simon O'Loughlin were elected as directors.

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.

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 was made to Fu La (formerly a Director, currently a 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 Widespread Limited now renamed Aorere Limited (Shareholder) for Chris Castle (formerly a Director).

Payment of director fees was made to Geeland Pty Limited for Simon Taylor (Director).

Payment of director fees was made to Yoix Pty Limited for Simon O'Loughlin (Director) and legal fees were paid to O'Loughlin Lawyers being a firm in which Simon O'Loughlin has an interest.

Share based compensation was incurred in the year ended 31 March 2014 to Selwyn Geosurveys Limited being a company in which Bruce Bell (formerly a Director and Shareholder) had an interest.

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

Payment for accounting fees was made to Michael Wilcox.

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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RELATED PARTY EXPENDITURE	GROUP	
(Reimbursement of expenditure, consulting fees & salary)	2015	2014
	\$	\$

Director Fees

Aorere Limited for Chris Castle	26,915	28,421
Geeland Pty Limited for Simon Taylor	16,500	-
Yoix Prty Limited for Simon O'Loughlin	16,500	-

**Other services provided by Directors &
entities associated with Directors**

Bodhi Svaha Holdings Ltd	52,079	73,442
Fu La	27,069	31,052
Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited	45,000	73,040
O'loughlin Lawyers	4,739	-
Stephen McPhail	625	6,277
Aorere Resources Limited	-	2,294

Shareholders

Anna Di	4,817	5,711
Michael Wilcox	24,050	27,942
	<u>218,294</u>	<u>219,758</u>

SHAREBASED COMPENSATION

	GROUP	
	2015	2014
	\$	\$

Directors

Stephen McPhail	1,715	18,933
Bruce Bell	-	18,914
Fu La	1,716	13,125
	<u>3,431</u>	<u>50,972</u>

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OWING TO RELATED PARTIES	GROUP	
	2015	2014
	\$	\$
Directors & entities associated with Directors		
Bodhi Svaha Holdings Ltd	6,127	2,205
Shareholder		
Anna Di	489	411
Fu La	5,418	3,197
Michael Wilcox	8,664	8,603
	20,698	14,416

OWING BY RELATED PARTIES	GROUP	
	2015	2014
	\$	\$
Directors & entities associated with Directors		
Stephen McPhail	72	204
	72	204

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 2013	223,139,260	17,506,982	0.078
Shares Issued		31,371,875	125,951	0.004
Capital Raising Costs		-	(1,380)	
Closing Balance	31 March 2014	254,511,135	17,631,553	0.069
Opening Balance	1 April 2014	254,511,135	17,631,553	0.069
Shares Issued		580,418,213	1,211,090	0.002
Capital Raising Costs		-	(109,641)	
Closing Balance	31 March 2015	834,929,348	18,733,002	0.022

All shares are fully paid and rank equally with regard to voting rights and distribution of profit.
All shares have no par value, are fully paid and rank equally with regard to voting rights and distribution of profit.

KING SOLOMON MINES LIMITED

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FOR THE YEAR ENDED 31 MARCH 2015

Issued Share Capital to Directors as part payment for fees

On 28th August 2014 at the Annual General Meeting, resolutions were passed to authorise issue of 13,708,334 shares as part payment of \$28,930 and \$NZ 12,162 fees for directors from 1 July 2014 to 31 December 2014.

Previously 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).

Other Share Issues

The Company issued 38,176,670 shares to raise \$102,530 and \$NZ12,960 for working capital and payment of expenses in the first 6 months of the financial year.

A fully underwritten rights issue was then made to shareholders where three new shares were offered for every two existing shares held by existing Australian and New Zealand resident shareholders at 7:00pm (Sydney time) on 24 October 2014 at an issue price of \$A0.002 (\$NZ0.0022) per new share to raise \$807,770 and \$NZ 122,560 before costs.

In addition the underwriting document also authorised issue of a further 68,939,000 shares at an issue price of \$A0.002 to raise a further \$137,878.

Share Options

Options have been issued to directors. 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:

		2015		2014	
	Expiry date	Average exercise price in \$A per share	Options	Average exercise price in \$A per share	Options
At 1 April	3 March 2014	*	0.050	-	0.050 1,000,000
At 1 April	29 July 2014	*	0.100	2,000,000	0.100 3,100,000
At 1 April	25 March 2016	*	0.120	-	0.120 165,000
At 1 April	29 July 2016	*	0.120	1,600,000	0.120 1,963,000
Lapsed	3 March 2014	*	0.050	-	0.050 (1,000,000)
Lapsed	29 July 2014	*	0.100	(2,000,000)	0.100 (1,100,000)
Lapsed	25 March 2016	*	0.120	-	0.120 (165,000)
Lapsed	29 July 2016	*	0.120	-	0.120 (363,000)
			0.109 1,600,000		0.109 3,600,000

* No participation in future dividends until exercised

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

Option movements during the year

2,000,000 options issued to Directors and an employee lapsed.

At 31 March 2015, the Group 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 - 2015				Significant Inputs into Pricing Model		
Expiry Date	Number of Options Granted	Fair Value of each option \$	Total Fair Value of Options \$	Share Price \$	Risk Free Interest Rate %	Price Volatility %
29 July 2016	1,600,000	0.0576	92,160	0.12	4.950	111
	1,600,000		92,160			

Options exercisable as at balance date are as follows:

Options Vested and therefore exercisable

Expiry Date	2015	2014
29 July 2014	-	2,000,000
29 July 2016	1,600,000	1,056,000
	1,600,000	3,056,000

13. INVESTMENT IN SUBSIDIARIES

Name of Subsidiary	Principal Activity	Country of Incorporation	Equity Holding	
			2015	2014
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.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

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 Group recorded losses for the years ended 31 March 2015 and 31 March 2014. 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	
	2015	2014
	\$	Restated \$
Loss attributable to equity holders of the Company	(1,099,546)	(643,529)
Weighted average number of ordinary shares on issue	<u>462,210,969</u>	<u>230,298,652</u>
Basic earnings per share (\$ per share)	<u>(0.00)</u>	<u>(0.00)</u>

15. COMMITMENTS

As recorded in note 12, the Company currently has 1,600,000 options issued to executive directors. Options are being expensed in the periods in which the options vest. There is a no further amount to be expensed in future periods (2014: \$3,431).

The Group have no non cancellable operating leases.

The Group had no commitments at 31 March 2015 (2014: \$18,985).

16. CONTINGENT ASSETS AND LIABILITIES

The Group had no contingent liabilities at 31 March 2015 (2014: Nil).

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

17. RECONCILIATION OF FINANCIAL PERFORMANCE AND OPERATING CASH FLOW

	GROUP	
	2015	2014
		Restated
	\$	\$
Deficit for Year	(1,099,546)	(643,529)
Non Cash Items		
Gain on Sale	-	(165)
Share Option Expense	3,431	15,428
Foreign Exchange	(10,847)	(11,717)
Loss on Property for Sale	-	28,743
Impairment on Fixed Assets	(63,739)	38,010
Depreciation on Fixed Assets	35,028	-
Write Off of Exploration Expenditure	765,727	140,839
Service fees settled with Shares	54,321	35,516
Movement in Working Capital		
Other Receivables - Related Parties	132	6,865
Other Receivables - Tax on Interest	(387)	4,338
Other Receivables - Other	(6,948)	30,482
Prepayments - Related Parties	23,363	-
Prepayments	(1,746)	-
Accounts Payable - Related Parties	5,862	(12,739)
Accounts Payable - Other	(26,066)	(13,898)
Items classified as Investing Activities		
Movement in Accounts Payable for Exploration	-	83,987
Net Cash used in Operating Activities	<u>(321,415)</u>	<u>(297,840)</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. After discussions with the New Zealand Inland Revenue Department in 2013, King Solomon Mines Limited agreed to not claim tax losses carried forward as expenditure relating to exploration in China.

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

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	GROUP	
	2015	2014 Restated
	\$	\$
Income Tax Expenses		
Loss (\$A)	(1,099,344)	(643,529)
Tax @ 28%	(307,816)	(180,188)
Expenses not deductible for tax purposes	196,660	50,164
Timing difference and tax losses not recognised as tax losses	111,156	130,024
Australian Resident Excess Withholding Tax	202	-
Income tax expenses	202	-
 Calculation of cumulative deferred tax benefit not recognised		
Tax losses brought forward	6,874,813	7,348,339
Foreign exchange on loss brought forward	1,711,359	1,099,474
Tax loss for year	396,984	464,372
NZ Losses forfeited due to lack of continuity	(1,493,813)	(410,114)
Chinese time bound tax losses forfeited	(1,024,263)	(1,627,258)
Future tax losses not brought to account	6,465,081	6,874,812
 Prima facie tax benefit at 28%	1,810,223	1,924,947

19. RESTATEMENT OF PRIOR PERIOD EXPENSES

The Group has included the Sonid Camp lease agreement which commenced on 30 April 2013 for the first time as it had been omitted in error previously. The effects of the changes required on past financial statements are shown in the following tables:

	Previously reported \$	Rental agreement adjustments \$	Restated \$
(i) Impact of restatement on statement of financial position			
As at 31 March 2014			
Accounts Payable - Other	256,600	30,793	287,393
Retained Earnings	(17,248,242)	(30,793)	(17,279,035)
(ii) Impact of restatement on statement of comprehensive income			
For the year ended March 2014			
Exploration Asset Maintenance Expenses	75,616	30,793	106,409

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

20. FEES PAID TO AUDITORS

Fees payable to PwC for audit and review of the King Solomon Mines Limited financial statements amounted to \$26,126 (2014: \$25,643).

Fees payable to other auditors for the audit of Inner Mongolia Plate Mining Limited amounted to \$192 (2014: \$1,062).

21. 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. 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.

Chinese Yuan are required to be held with a Chinese bank \$1,659 (2014: \$4,197).

	Current \$	> 90 Days \$	Total \$
2015	22,362	191,275	213,637
2014	15,480	229,110	244,590

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.

As stated in note 9, it is possible the purchaser of the office building may not make the final payment due under the sale agreement by the due date in June 2015 and so it has been classified as greater than 90 days.

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:

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	2015	2014
	\$	\$
United States dollar	891	741
New Zealand dollar	51,993	45,536
Australian dollar	868,750	53,280
Chinese Yuan	1,659	4,197
	<u>923,293</u>	<u>103,754</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	45	89	178
New Zealand dollar	2,600	5,199	10,399
Chinese Yuan	83	166	332
Total Impact of potential change in exchange rate	<u>2,728</u>	<u>5,454</u>	<u>10,909</u>

Interest rate and liquidity risks

The Group receives interest on its bank deposits. Interest rate risk is not considered significant as funds are available for immediate use and the bank deposit is being renewed on a rolling 30 day basis.

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 (\$273,808) until proceeds from the sale of property 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.

KING SOLOMON MINES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2015

	GROUP	
	2015	2014 Restated
	\$	\$
Loans and receivables		
Cash and Cash Equivalents	922,661	103,754
Receivable from Sale of Property	178,469	219,287
Other Receivables - Related Parties	72	204
Other Receivables - Other	35,096	25,099
Total loans and receivables	1,136,298	348,344
Financial liabilities at amortised cost		
Accounts Payable - Related Parties	(20,698)	(14,416)
Accounts Payable - Other	(317,616)	(287,393)
Total financial liabilities	(338,314)	(301,809)

22. PARENT INFORMATION

	PARENT	
	2015	2014
	\$	\$
Result of the parent entity		
Loss for the year	(868,456)	(1,001,957)
Other Comprehensive Income	-	-
Total comprehensive loss for the year	(868,456)	(1,001,957)
Financial position of the parent entity at year end		
Current assets	944,416	691,742
Total assets	946,106	691,742
Current Liabilities	(51,118)	(33,178)
Total Liabilities	(51,118)	(33,178)
Total equity of the parent entity comprising of:		
Share Capital	18,733,002	17,631,553
Reserves	92,160	217,329
Accumulated Losses	(17,930,174)	(17,190,318)
	894,989	658,564

Parent entity contingencies

There are no contingencies for the parent entity in 2015 or 2014.

Parent entity guarantees

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiary Inner Mongolia Plate Mining Limited in 2015 or 2014.

Parent entity capital commitments for acquisition of property, plant and equipment

There are no capital commitments for the parent entity in 2015 or 2014.

KING SOLOMON MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2015

23. 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 (resigned 7 October 2014)
Chris Castle	Appointed 31 October 2005 (resigned 4 February 2015)
Simon O'Loughlin	Appointed 1 October 2014
Simon Taylor	Appointed 1 October 2014

Directors' Shareholding

As at 31 March 2015, the following Directors had the following relevant interests in shares in King Solomon Mines Limited.

	Beneficial	Non-Beneficial
Simon O'Loughlin	15,000,000	-
Stephen McPhail	23,999,999*	2,650,000**
Simon Taylor	15,000,000	-

* Stephen McPhail is a trustee and beneficiary of the Paradise Now Trust ("PNT"). He has a legal and beneficial interest in 8,500,000 Shares which he holds as a trustee of PNT. He has a beneficial interest in 15,499,999 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 2,650,000 Shares which he holds as a trustee of the Wilcox Arcadian Trust.

Disclosure of Directors' Share Dealings

BSHL received 4,666,667 shares at 0.3c as part payment for supplying the services of Stephen McPhail as managing director. This share issue was approved by shareholders at the annual general meeting on 28 August 2014. Simon O'Loughlin and Simon Taylor each acquired 15,000,000 shares at 0.2c as sub-underwriters of a Renounceable Rights Issue – as set out in the Offer Document dated 20 October 2014.

Disclosure of Directors' Share Options

As at 31 March 2015, options issued to directors were as follows:

Stephen McPhail	800,000*
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* 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 have vested.



Independent Auditors' Report to the shareholders of King Solomon Mines Limited

Report on the Financial Statements

We have audited the Group financial statements of King Solomon Mines Limited ("the Company") on pages 1 to 27, which comprise the statement of financial position as at 31 March 2015, the statement of comprehensive income, the statement of changes in equity and the statement 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 the Group. The Group comprises the Company and the entity it controlled at 31 March 2015 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards 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 our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, 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 auditors consider the internal controls relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

We are independent of the Group. Other than in our capacity as auditors we have no relationship with, or interests in, the Group.



Independent Auditors' Report

King Solomon Mines Limited

Basis for Qualified Opinion

The financial statements for the Group for the year ended 31 March 2015 include exploration and evaluation assets (tenements) of \$446,173. The value of the tenements is based on the Directors' estimates of the possible recoverable amount of the tenements currently held. There is no observable market in Inner Mongolia against which we can assess the Directors' valuation of the tenements. We were unable to determine whether any adjustments were necessary in respect of the Directors' valuation of the tenements.

Qualified Opinion

In our opinion, except for the effect of any adjustments that might have been necessary had we been able to obtain sufficient evidence concerning exploration and evaluation assets as described in the Basis for Qualified Opinion paragraph, the financial statements on pages 1 to 27 present fairly, in all material respects, the financial position of the Group as at 31 March 2015, and its financial performance and cash flows for the year ended on that date.

Emphasis of Matter – Material uncertainty in respect of going concern

We draw attention to Note 1 in the Group financial statements which states that the Group may require further capital to undertake any of the exploration and investment options currently being assessed in and out of China for it to continue as a going concern. This indicates the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

Chartered Accountants
26 May 2015

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. This Corporate Governance Statement reports on the corporate governance principles and practices followed by the Company for the period from 1 April 2014 to 31 March 2015 as required by the Australian Securities Exchange (ASX) Listing Rules. The Company has followed the recommendations established in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Principles and Recommendations), 2nd Edition. The 3rd Edition of the Principles and Recommendations was released in March 2014 and takes effect for a listed entity's first full financial year commencing on or after 1 July 2014. The Company has commenced a review of its corporate governance documentation and practices against the 3rd Edition of the ASX Principles and Recommendations, and has started adopting these recommendations, but will report against these fully in its 2016 Annual Report.

The Principles and Recommendations are for guidance purposes, but 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 eight Principles 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.

Principle 1: Lay solid foundations for management and oversight

The Company has a small Board of three Directors (Non-Executive Chairman Simon O'Loughlin, Managing Director Stephen McPhail and Non-Executive Director Simon Taylor) and a small team of three part-time employees, so roles and functions have to be flexible to meet specific requirements. The Company discloses the respective roles and responsibilities of its Board and management, and how their performance is monitored and evaluated below.

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 that in other companies are sometimes delegated to a Nomination Committee, which the Company does not have due to its small size.

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

- 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; and

- 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 programmes;
- 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; and
- 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 performance of the Board and its Committees, including the senior executive is monitored and evaluated by the Board and individual Directors, at least once per year at a Board meeting that considers remuneration for the coming year. There has been no outside formal performance evaluation of the Board during the past financial year.

The Company has a Diversity Policy, which includes requirements for the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the Company's progress in 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 and deferred. As at the end of this last reporting period 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. Due to the size of the Company there are no women on the Board, no women in senior executive positions and two female employees in the organisation of four. The Company has defined "senior executive" for these purposes as being the Managing Director. The Company's Diversity Policy can be found under the Corporate section of the Company's website at www.kingsolomonmines.com

Principle 2: Structure the Board to add value

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. The processes the Company employs to address Board succession issues, and to ensure that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively include reviewing Board performance, size and capacity (with appropriately-experienced Directors). A performance evaluation of the Board, its Committees and Directors, was carried out by the Directors, subsequent to the end of the 2014-15 financial year and, at a number of Board meetings, these matters were reviewed and evaluated. The members agreed that the Board has an appropriate balance of experienced Directors and that fresh ideas are emanating from the most recent members of the Board, Simon O'Loughlin and Simon Taylor. Subsequent to the end of the financial year, the Board carried out a review of its proposed Board Skills Matrix, as encouraged by Recommendation 2.2 (3rd Edition).

The names of the Company's Directors considered by the Board to be independent Directors are Simon O'Loughlin and Simon Taylor, both of whom were appointed as Directors of the Company on 1 October 2014 and prior to that, the former Chairman, Christopher Castle was considered to be independent, but the former Director, Fu La, was not independent because he was an Executive Director. Two of the Company's three current Directors are therefore independent Directors and so a majority of the Board of KSO is now independent Directors. The Company's Board is of an appropriate size and composition, with suitable skills and commitment to enable it to discharge its duties effectively. The Chairman of the Board of KSO, Simon O'Loughlin, is an independent Director and is separate from the Managing Director, Stephen McPhail.

In the future, the Company intends to provide appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively. 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) retires at each AGM, but shall be eligible for re-election.

Principle 3: Act ethically and responsibly

The Company strives to act ethically and responsibly at all times, and has a formal Code of Conduct for its Directors, senior executives and employees, 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 are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Company. The Code of Conduct, including 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, can be found under the Corporate section of the Company's website at www.kingsolomonmines.com.

Principle 4: Safeguard integrity in corporate reporting

The Company has an Audit Committee, which has three members, Simon Taylor (Committee Chairman), Simon O'Loughlin and Stephen McPhail, two of whom are Non-Executive Directors and a majority of whom are independent Directors. The Audit Committee is chaired by an independent Director, who is not the chair of the Board. The charter of the Committee can be found under the Corporate section of the Company's website at www.kingsolomonmines.com. These Directors have the applicable expertise and skills for the Audit Committee, and the relevant qualifications and experience of the members of the Audit Committee can be found under the Corporate section of the Company's website at www.kingsolomonmines.com. The number of times the Committee met throughout the last reporting period and the individual attendances of the members at those meetings are set out at the end of the Report of the Directors in the Annual Report. 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).

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.

From the commencement of the 2014-15 year, the Company has adopted the recommended procedure whereby before it approves the Company's financial statements for a financial period, the Board of KSO receives from its CEO and CFO (Managing Director and the Chief Accountant) a declaration that, in their opinion, the financial records of the Company have been properly maintained, and that the financial statements comply with the appropriate accounting standards, and give a true and fair view of the financial position and performance of the Company, and that the opinion has been formed on the basis of a sound system of risk management and internal control that is operating effectively.

The Company ensures that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit and this has been supported by the Company's audit partner at PricewaterhouseCoopers.

Principle 5: Make timely and balanced disclosure

The Company has a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules, which can be found under the Corporate section of the Company's website at www.kingsolomonmines.com.—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. 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 also has a Share Trading Policy concerning trading in its securities by Directors, management, staff and significant consultants, which can be found under the Corporate section of the Company's website. 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 6: Respect the rights of security holders

The Company provides information about itself and its governance to investors via its website at www.kingsolomonmines.com, including a Corporate landing page where all relevant corporate governance information can be accessed. 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 and 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. 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.

Principle 7: Recognise and manage risk

The Company does not have a risk committee, as it is only 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. Instead, the processes it employs for overseeing the Company's risk management framework are the responsibility of the Board of Directors and senior management collectively, and Risk Factors are a standing agenda item at Board meetings. The Board has established a sound risk management framework and periodically reviews the effectiveness of that framework. The Company receives assurance from the Managing Director and the Chief Accountant 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 Board of KSO has a Remuneration Committee, which has three members, a majority of whom are independent Directors, and is chaired by an independent Director. The charter of the committee can be found under the Corporate section of the Company's website at www.kingsolomonmines.com. The members of the Remuneration Committee are Simon O'Loughlin (Committee Chairman), Simon Taylor and Stephen McPhail. The Committee did not meet during the last reporting period, but all Committee members attended a meeting in May 2015.

The Company separately discloses its policies and practices regarding the remuneration of Non-Executive Directors and the remuneration of Executive Directors and other senior executives in the Remuneration Report section of the Annual Report. 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 shareholders. The Directors believe that the size of the Company makes individual salary and contractor negotiation more appropriate than formal remuneration policies. 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. 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.

The Company has an equity-based remuneration scheme, being an Employee Share Option Plan. The Company has a policy that participants are not permitted to enter into transactions (whether through the use of derivatives or otherwise) that limit the economic risk of participating in this scheme.

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, which was incorporated in New Zealand, 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 as per ASX Listing Rule 4.10.

Substantial Shareholders as at 29 June 2015

Substantial Shareholders	Shareholding	% Shares Issued
Calama Holdings Pty Ltd <Mambat Super Fund A/C>	42,168,470	5.05

Based on the market price at 31 May 2015 there were 477 shareholders with less than a marketable parcel of 125,000 shares.

Number of ordinary shares held	Number of Holders	Ordinary Shares
1 - 1,000	12	2,661
1,001 - 5,000	35	114,955
5,001 - 10,000	91	867,450
10,001 - 100,000	323	15,033,832
100,001 - and over	348	818,910,450
Total	809	834,929,348

Top 20 Holders of Ordinary Shares as at 11 June 2015

Rank	Name of Shareholder	Shares	% of Shares
1	Calama Holdings Pty Ltd <Mambat Super Fund A/C>	42,168,470	5.05
2	Ravenhill Investments Pty Ltd <House of Equity A/C>	35,000,000	4.19
3	Octifil Pty Ltd	33,665,976	4.03
4	Grey Bucket Pty Ltd	30,122,045	3.61
5	Twenty Ten Enterprise Ltd <Twenty Ten Investments A/C>	29,469,500	3.53
6	Mark Christopher Jobling	24,891,190	2.98
7	Glenlora Trustees Limited	20,000,000	2.40
8	Puntero Pty Ltd	17,500,000	2.10
9	Michael Andrew Whiting + Tracey Anne Whiting <Whiting Family S/F A/C>	16,833,783	2.02
10	Ninety Three Pty Ltd <One Mile S/F A/C>	15,500,000	1.86
11	Bodhi Svaha Holdings Limited	15,499,999	1.86
12	Corporate Property Services Pty Ltd <K W Share A/C>	15,000,000	1.80
13	Jimbzal Pty Ltd <Taylor Family A/C>	15,000,000	1.80
14	Simon Thomas O'Loughlin	15,000,000	1.80
15	Tyche Investments Pty Ltd	14,815,941	1.77
16	Martin Rowney	12,500,000	1.50
17	Thomas Frederick Whiting	12,500,000	1.50
18	Warinco Services Pty Limited	10,684,201	1.28
19	BT Portfolio Services Limited <Warrell Holdings S/F A/C>	10,571,428	1.27
20	SCE Superannuation Pty Ltd	10,000,000	1.20
	Total of Top 20 Holdings	396,722,533	47.55
	Other holdings	438,206,815	52.45
	Total fully paid shares issued	834,929,348	100.00

Options

Name of option holder	Shares option holder entitled to	Exercise Price	Option expiry date
Stephen McPhail	800,000	\$0.12	29 July 2016
Fu La	800,000	\$0.12	29 July 2016
Total	1,600,000		



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