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KING SOLOMON MINES LIMITED ENTERS AGREEMENT TO ACQUIRE XREF PTY LTD

3 August 2015

HIGHLIGHTS

- **King Solomon Mines Limited has entered into a conditional binding term sheet with Xref Pty Ltd.**
- **Xref is an easy-to-use, mobile-ready, fully-reportable, cloud-based platform that recruitment teams use to conduct pre-employment reference checks.**
- **Xref automates what has traditionally been a time-consuming, phone-based exercise. Xref saves recruiters time, improves the quality of reference checks and reduces reference fraud.**
- **Xref has attracted clients including Nike, Woolworths, Westpac, PwC and AMP.**
- **Xref is a profitable, high-growth business leveraged to the US\$15 billion Human Resource Technology Market.**

King Solomon Mines Limited (ASX:KSO) is pleased to announce it has signed a conditional binding term sheet to acquire 100% of Xref Pty Ltd (Xref) – an easy-to-use, mobile-ready, fully-reportable, cloud-based platform that recruitment teams use to conduct pre-employment reference checks.

The Xref transaction is subject to a number of conditions precedent, including KSO shareholders' approval, completion of a capital raising, compliance with Chapters 1 and 2 of the ASX Listing Rules, and re-admission to the official list of ASX.

Xref is a Sydney-based company that allows prospective employers to seamlessly and professionally conduct pre-employment reference checks on suitable candidates via an online candidate-referencing system. It is a faster, more reliable and less expensive alternative, which helps companies improve their recruitment processes.

KSO's acquisition of Xref will include the appointment of Xref co-founders Lee-Martin Seymour (Executive Director) and Tim Griffiths (Executive Director) as Directors to its Board. Additional background information on the proposed new directors is provided later in this release.

KSO proposes to undergo a capital consolidation after the acquisition of Xref and will then additionally raise at least A\$3 million. The transaction is expected to be completed by early November 2015. An indicative post-transaction capital structure (subject to shareholder approval) and timetable for the acquisition is provided below.

Following a change in KSO's name to Xref Limited, a process that allows KSO to divest its exploration interests will begin. The Company will seek to maximise its position from the exit process, possibly via a joint venture or outright sale. It is envisaged that in the first half of the 2015-16 financial year the Company will have a single focus, and be primarily involved in Human Resource Technology in Australia and in key international target markets, such as the UK, Asia and the US.

Simon O'Loughlin
Chairman

ABOUT XREF PTY LTD

Xref is a Sydney-based Human Resource Technology company with a focus on online candidate referencing workflow solutions that allow prospective employers to seamlessly and professionally conduct pre-employment reference checks on suitable candidates.

Xref was founded in 2010 by Executive Directors Lee-Martin Seymour and Tim Griffiths, initially to solve a dated, costly and inefficient process of conducting reference checks on suitable candidates. To-date, Xref has not raised any external capital to fund the business and has been cash-flow positive since inception.

The Xref platform has experienced 246% compound annual user growth, with an average of 500 new users per day signing up to its services. Xref has attracted clients including Nike, Woolworths, Westpac, PwC and AMP.

Xref set out to bring candidate referencing into the 21st century. Prior to Xref's innovative solution, industry best practices were cumbersome and expensive. Human resource (HR) managers spent on average two hours to source and analyse a single reference check. Not only was this process inefficient but it also opened up the company to security breaches, discrimination and potentially fraud. As a result, recruiters and HR managers tended to out-source this function to aggregators and call centres, creating an additional cost to the recruiting process. Xref's fully-automated cloud-based platform allows recruiters / HR managers to safely and securely complete this function in a fraction of the time it traditionally took. It takes, on average, approximately 15 seconds for the employer to make a reference request and, on average, is completed and returned within 24 hours. In addition, Xref's reports are highly analytical and provide insightful comparable data. On average, users of Xref's technology have experienced a 98% success rate with 60% more data collected.

Xref's easy-to-use platform and simple business model allow users to purchase Xref credits to use at their discretion based on the individual hiring needs of each organisation. To-date Xref has retained 91% of its customer base.

KEY MANAGEMENT PERSONNEL

Lee-Martin Seymour (Executive Director)

As a cloud evangelist and professional recruiter, Lee is passionate about driving process innovation within the recruitment and employment sector. A Fellow of the Recruitment and Consulting Services Association (RCSA), he has more than 17 years experience within the industry.

Tim Griffiths (Executive Director)

Tim, an MBA-qualified technologist, has 20 years experience advising companies, including Virgin and SkyTV. He worked for Benchmark Capital providing technical diligence for high tech start-up investment and was co-founder of media company a2a plc, which floated on the UK stock market. More recently Tim was CIO for Jcurve Solutions, an Australian cloud NetSuite ERP provider, and is the founder of Answer42, a Sydney and London-based cloud consultancy.

TERMS OF THE AGREEMENT

Under the terms of the transaction, KSO will acquire 100% of the Xref securities on issue in consideration for issuing the Xref vendors the following scrip consideration on a pre-consolidation basis:

- a) 2,500 million fully paid ordinary shares in the capital of KSO (KSO Shares); and
- b) Performance shares in the capital of KSO convert upon the satisfaction of the following milestones:
 - i. Milestone 1 (833 million shares) vests once Xref has generated, during any six-month reporting period of the Company that ends on or prior to the date 2.5 years after completion of the Transaction, the consolidated sales revenue of the Company and its controlled entities (as set out in the audited annual accounts or auditor-reviewed half-yearly accounts) equals or exceeds A\$2,500,000.
 - ii. Milestone 2 (833 million shares) vests once Xref has achieved a 20-day volume weighted average price of new shares on the ASX equal to or exceeding a 150% premium to the issue price under the prospectus document at any time within two years from the date of completion of the Transaction.
 - iii. Milestone 3 (833 million shares) vests once Xref has generated, during any six-month reporting period of the Company that ends on or prior to the date five years after completion of the Transaction, the consolidated EBITDA of the Company and its controlled entities (as set out in the audited annual accounts or auditor-reviewed half-yearly accounts) equals or exceeds A\$2,500,000.
- c) All shares issued to the shareholders of Xref will be escrowed for a minimum of 12 months up to a maximum of 24 months, depending on ASX determination.

The above acquisition is conditional upon satisfaction or waiver of the following conditions precedent:

- completion of legal and financial due diligence to KSO's satisfaction within 45 days;
- KSO entering into binding full form sale and purchase documentation with the shareholders of Xref;
- KSO Shareholder approval;
- Xref completing the interim funding capital raising, to raise gross proceeds of up to A\$550,000 from existing and new investors, through the issue of an unsecured converting equity instrument (1% per month coupon) that automatically converts to ordinary shares of KSO on listing via the RTO at a 20% discount to issue price under the prospectus document. If the RTO does not complete, the notes convert into ordinary equity at a pre-money valuation of A\$5 million or can be redeemed for their face value (plus any accrued interest) at the note holder's discretion (not involving KSO);
- KSO completing a capital raising of at least A\$3 million; and
- ASX confirming re-compliance with Chapters 1 and 2 of the ASX Listing Rules, and allowing recommencement of trade.

Re-Compliance with Chapters 1 and 2 of the ASX Listing Rules

As the transaction will constitute a significant change in the nature and scale of KSO's activities, the Company will be required to re-comply with the new listing requirements set out in Chapters 1 and 2 of the ASX Listing Rules (including preparing a full form prospectus).

If the transaction proceeds, KSO intends to divest all of its existing mineral assets.

INDICATIVE TIMETABLE

The indicative timetable for completion of the transaction and KSO's re-compliance with the ASX Listing Rules is outlined below.

Event	Date
Despatch Notice of Meeting	12-Sep-15
Lodge Prospectus with ASIC and ASX	6-Oct-15
General Meeting	13-Oct-15
Suspension of trading in the Company's securities	13-Oct-15
Offer under Prospectus opens	16-Oct-15
Offer under Prospectus closes	30-Oct-15
Consolidation record date	7-Nov-15
Completion of KSO acquisition and issue of shares under Prospectus	10-Nov-15
Expected date for re-quotations of the Company's shares on ASX	13-Nov-15

INDICATIVE CAPITAL STRUCTURE

On the basis KSO completes the acquisition on the terms set out above, KSO's capital structure on a post-acquisition basis will be as follows (assuming A\$3 million is raised under the Capital Raising at A\$0.003 per KSO share and no other shares are issued by either KSO or Xref), excluding staff options:

Shareholders	Number of shares held (million shares)
Current KSO shareholders ¹	834.9
Pre-IPO new investors in Xref ²	229.7
Xref Initial Shareholder Group ³	2,500.0
New Shareholders in Capital Raising	1,000.0
Total	4,564.6

1. Subject to rounding of individual holders.
2. Shares issued to Pre-IPO investors in Xref as detailed in conditions precedent above.
3. Performance Shares to be issued in Xref as detailed in terms of the transaction above.
4. Approximately Options of 181.3 million will be issued as part of the transaction. The options will have an exercise price equal to a 15% premium to the IPO price under the prospectus document and have a three year term.
5. Current KSO options of 1.6 million with a current exercise price of A\$0.12 and expiry on 29 Jul 2016 will also be subject to the capital consolidation.

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