



King Solomon Mines Limited

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

5 November 2015

Company Announcements Office
Australian Securities Exchange

Notice of Extraordinary Meeting and ASX Waiver

The Board of King Solomon Mines Limited (ASX:KSO) is pleased to attach a Notice of Extraordinary Meeting to be held on 26 November 2015 and called, as foreshadowed in previous announcements, in connection with the acquisition of Xref Pty Ltd.

In connection with the resolutions to be considered at the meeting, the Company applied for, and was granted, a waiver from ASX Listing Rule 10.13.3 as set out below.

1. *“Based solely on the information provided, in connection with the proposed acquisition by King Solomon Mines Limited (the “Company”) of 100% of the issued capital in Xref Pty Ltd (“Xref”) (“Acquisition”), and subject to the conditions detailed in paragraph 2, ASX Limited (“ASX”) grants a waiver from listing rule 10.13.3 to the extent necessary to permit the Company’s notice of meeting (“Notice”) to approve the issue of the following securities:*
 - 1.1. *up to 681,250 shares to a related party of incoming director – Mr Timothy Mahony, as a convertible noteholder, on conversion of Xref convertible notes;*
 - 1.2. *800,000 options to its current directors (Mr Simon O’Loughlin – 300,000 options, Mr Stephen McPhail – 250,000 options and Mr Simon Taylor – 250,000 options) and 900,000 options to incoming director – Mr Timothy Mahoney; and*
 - 1.3. *of the 20,000,000 shares to be issued under the capital raising, up to 400,000 shares to be issued to current directors (Mr Simon O’Loughlin – 250,000 shares and Mr Simon Taylor – 150,000 shares) and 1,000,000 shares to incoming director – Mr Timothy Mahoney. (together, the “Related Party Securities”), as part of the Acquisition not to state that the Related Party Securities will be issued within 1 month of the date of the meeting.*
2. *The waiver in resolution 1 is subject to the following conditions:*
 - 2.1. *Shareholders approve the issue of the Related Party Securities at the shareholder meeting dated 26 November 2015.*
 - 2.2. *The Related Party Securities are issued no later than 3 months after the date of the shareholder meeting.*
 - 2.3. *The Company releases the terms of the waiver to the market at the same time that it releases the Notice.*
3. *ASX has considered listing rules 10.13.3 only and makes no statement as to the Company’s compliance with other listing rules”.*

King Solomon Mines Limited

Robert J Waring
Company Secretary



KING SOLOMON MINES LIMITED
ARBN 122 404 666

NOTICE OF EXTRAORDINARY GENERAL MEETING
EXPLANATORY STATEMENT
PROXY FORM

Date of Meeting
26 November 2015

Time of Meeting
11.00 am (EDST)

Place of Meeting
Level 10
167 Macquarie Street
Sydney NSW 2000

This Notice of Extraordinary General Meeting should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Independent Adviser has evaluated the merits of the transaction the subject of Resolutions (4), (5) and (6) outlined in this Notice of Extraordinary General Meeting having regard to the interests of shareholders and has concluded that, on balance, the benefits to shareholders of the Proposed Transaction outweigh its negative features. The Independent Adviser's Report as prepared pursuant to Rule 18 of the Takeovers Code is enclosed with this Notice of Extraordinary General Meeting.

It is recommended that all shareholders read the Independent Adviser's Report in full.

Should you wish to discuss the matters in this Notice of Extraordinary General Meeting please do not hesitate to contact the Company Secretary on 1 800 061 569 (within Australia) or (+64 6) 364 8462 (outside Australia).

NOTICE OF EXTRAORDINARY GENERAL MEETING

KING SOLOMON MINES LIMITED ARBN 122 404 666

Notice is hereby given that an Extraordinary General Meeting of shareholders of King Solomon Mines Limited (**Company**) will be held at 11.00 am (EDST) on 26 November 2015 at Level 10, 167 Macquarie Street, Sydney NSW 2000.

RESOLUTION 1 - CONSOLIDATION OF SHARES AND OPTIONS

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That approval is given for the issued capital of the Company to be consolidated on the basis that:

- (a) every 50 fully paid ordinary shares be consolidated into one fully paid ordinary share; and*
- (b) every 50 Options be consolidated into one Option with the exercise price amended in inverse proportion to that ratio,*

and where this consolidation ratio would otherwise result in a fractional entitlement to a share or Option (as the case may be), that fractional entitlement be rounded up to the nearest whole share or Option (as the case may be), as set out in the Explanatory Statement.’

RESOLUTION 2 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 3 to 18 (inclusive), for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company to make a significant change to the nature and scale of its activities by acquiring all of the shares in Xref Pty Ltd ACN 147 613 938 as set out in the Explanatory Statement.’

RESOLUTION 3 – ENTERING INTO A MAJOR TRANSACTION

To consider and, if thought fit, pass, with or without amendment, the following resolution as a **special resolution**:

‘That, subject to the passing of Resolutions 2 and 4 to 18 (inclusive), for the purpose of section 129 of the Companies Act and for all other purposes, approval is given for the Company to enter into the Proposed Transaction as a major transaction as described in the Explanatory Statement, and that the Directors be authorised to take all action, do all things and execute all documents and agreements necessary or considered by them to be expedient to give effect to the Proposed Transaction.’

RESOLUTION 4 – ISSUE OF SHARES TO DAVID HAINES

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2, 3 and 5 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation:

- (a) *for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 1,923,076 fully paid ordinary shares (post-Consolidation), to Mr David Haines on the terms and conditions set out in the Explanatory Statement; and*
- (b) *for the purposes of Rule 7(d) of the Takeovers Code (and for all other purposes), approval is given for the allotment to Mr David Haines of:*
 - (i) *up to 1,923,076 fully paid ordinary shares as a result of the Xref Acquisition (**Haines Acquisition Shares**);*
 - (ii) *up to 170,313 fully paid ordinary shares on conversion of the Xref Convertible Notes (**Haines Conversion Shares**); and*
 - (iii) *up to 2,093,389 fully paid ordinary shares in aggregate under the Proposed Transaction (being the aggregate of all of the shares issued under (i) and (ii) above),*

in each case, post-Consolidation and on the terms and conditions set out in the Explanatory Statement.

*Approval is also given for the allotment to Mr David Haines and his associates (as defined in the Takeovers Code) following Completion of the Proposed Transaction, of up to **100,170,313** ordinary shares (being the aggregate of the shareholdings set out in paragraph (b)(iii) of this Resolution 4, paragraph (b)(iii) of Resolution 5 and paragraph (b)(iii) of Resolution 6).*

The implementation of this resolution is conditional upon all of Resolutions 2, 3 and 5 to 18 (inclusive) being approved by the shareholders of the Company.’

Independent Adviser’s Report: Shareholders should carefully consider the report prepared by the Independent Adviser under Rule 18 of the Takeovers Code for the purposes of the shareholder approval required by Rule 7(d) of the Takeovers Code. The Independent Adviser’s Report is prepared in respect of the merits of the Proposed Transaction having regard to the interests of those persons who may vote to approve the allotment under this Resolution 4.

RESOLUTION 5 – ISSUE OF CONSIDERATION SECURITIES TO SQUIRREL HOLDINGS AUSTRALIA PTY LTD

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 4 (inclusive) and 6 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation:

- (a) *for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue by the Company to Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust of 24,038,462 fully paid ordinary shares (post-Consolidation), 8,333,333 A Class Performance Rights (post-Consolidation), 8,333,334 B Class Performance Rights (post-Consolidation) and 8,333,333 C Class Performance Rights (post-Consolidation) and for the issue of fully paid ordinary shares on conversion of the A Class Performance Rights, B Class Performance Rights and C Class Performance Rights on the terms and conditions set out in the Explanatory Statement; and*
- (b) *for the purposes of Rule 7(d) of the Takeovers Code (and for all other purposes), approval is given for the allotment, to Squirrel Holdings Australia Pty Ltd (ACN 606 505 328), of:*
 - (i) *up to 24,038,462 fully paid ordinary shares as a result of the Xref Acquisition (**Squirrel Acquisition Shares**);*

- (ii) up to 25,000,000 fully paid ordinary shares on conversion of the Performance Rights granted to Squirrel (**Squirrel Performance Rights**); and
- (iii) up to 49,038,462 fully paid ordinary shares in aggregate under the Proposed Transaction (being the aggregate of all of the shares issued under (i) and (ii) above),

in each case, post-Consolidation and on the terms and conditions set out in the Explanatory Statement.

*Approval is also given for the allotment to Squirrel and its associates (as defined in the Takeovers Code) following Completion of the Proposed Transaction, of up to **100,170,313** ordinary shares (being the aggregate of the shareholdings set out in paragraph (b)(iii) of this Resolution 5, paragraph (b)(iii) of Resolution 4 and paragraph (b)(iii) of Resolution 6).*

The implementation of this resolution is conditional upon all of Resolutions 2 to 4 (inclusive) and 6 to 18 (inclusive) being approved by the shareholders of the Company.⁷

Independent Adviser’s Report: Shareholders should carefully consider the report prepared by the Independent Adviser under Rule 18 of the Takeovers Code for the purposes of the shareholder approval required by Rule 7(d) of the Takeovers Code. The Independent Adviser’s Report is prepared in respect of the merits of the Proposed Transaction having regard to the interests of those persons who may vote to approve the allotment under this Resolution 5.

RESOLUTION 6 – ISSUE OF CONSIDERATION SECURITIES TO WEST RIDING INVESTMENTS PTY LTD

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 5 (inclusive) and 7 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation:

- (a) *for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the issue by the Company to West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust of 24,038,462 fully paid ordinary shares (post-Consolidation), 8,333,334 A Class Performance Rights (post-Consolidation), 8,333,333 B Class Performance Rights (post-Consolidation) and 8,333,333 C Class Performance Rights (post-Consolidation) and for the issue of fully paid ordinary shares on conversion of the A Class Performance Rights, B Class Performance Rights and C Class Performance Rights on the terms and conditions set out in the Explanatory Statement; and*
- (b) *for the purposes of Rule 7(d) of the Takeovers Code (and for all other purposes), approval is given for the allotment to, West Riding Investments Pty Ltd (ACN 606 505 319), of:*
 - (i) *up to 24,038,462 fully paid ordinary shares as a result of the Xref Acquisition (**West Riding Acquisition Shares**);*
 - (ii) *up to 25,000,000 fully paid ordinary shares on conversion of the Performance Rights granted to West Riding (**West Riding Performance Rights**); and*
 - (iii) *up to 49,038,462 fully paid ordinary shares in aggregate under the Proposed Transaction (being the aggregate of all of the shares issued under (i) and (ii) above),*

in each case, post-Consolidation and on the terms and conditions set out in the Explanatory Statement.

Approval is also given for the allotment to West Riding and its associates (as defined in the Takeovers Code) following Completion of the Proposed Transaction, of up to 100,170,313 ordinary shares (being the aggregate of the shareholdings set out in paragraph (b)(iii) of this Resolution 6, paragraph (b)(iii) of Resolution 4 and paragraph (b)(iii) of Resolution 5).

The implementation of this resolution is conditional upon all of Resolutions 2 to 5 (inclusive) and 7 to 18 (inclusive) being approved by the shareholders of the Company.'

Independent Adviser's Report: Shareholders should carefully consider the report prepared by the Independent Adviser under Rule 18 of the Takeovers Code for the purposes of the shareholder approval required by Rule 7(d) of the Takeovers Code. The Independent Adviser's Report is prepared in respect of the merits of the Proposed Transaction having regard to the interests of those persons who may vote to approve the allotment under this Resolution 6.

RESOLUTION 7 – CAPITAL RAISING

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 6 (inclusive) and 8 to 18 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of 15,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise \$3,000,000 (minimum subscription) and up to an additional 5,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise up to an additional \$1,000,000 by way of oversubscriptions (maximum subscription) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 8 - ISSUE OF SHARES TO SIMON O'LOUGHLIN UNDER PROSPECTUS

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 7 (inclusive) and 9 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of 250,000 fully paid ordinary shares (post-Consolidation) to Mr Simon O'Loughlin (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 9 - ISSUE OF SHARES TO SIMON TAYLOR UNDER PROSPECTUS

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 8 (inclusive) and 10 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of 150,000 fully paid ordinary shares (post-Consolidation) to Mr Simon Taylor (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 10 – ISSUE OF SHARES TO TIMOTHY MAHONY UNDER PROSPECTUS

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 9 (inclusive) and 11 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of 1,000,000 fully paid ordinary shares (post-

Consolidation) to Mr Timothy Mahony (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 11 – ISSUE OF OPTIONS TO TAYLOR COLLISON LIMITED

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 10 (inclusive) and 12 to 18 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of up to 2,808,909 Options (post-Consolidation) to Taylor Collison Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 12 - ISSUE OF OPTIONS TO SIMON O’LOUGHLIN

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 11 (inclusive) and 13 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 300,000 Options (post-Consolidation) to Mr Simon O’Loughlin (or his nominee) on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 13 - ISSUE OF OPTIONS TO STEPHEN MCPHAIL

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 12 (inclusive) and 14 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 250,000 Options (post-Consolidation) to Mr Stephen McPhail (or his nominee) on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 14 - ISSUE OF OPTIONS TO SIMON TAYLOR

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 13 (inclusive) and 15 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 250,000 Options (post-Consolidation) to Mr Simon Taylor (or his nominee) on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 15 – ISSUE OF OPTIONS TO TIMOTHY MAHONY

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 14 (inclusive) and 16 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 900,000 Options (post-Consolidation) to Mr Timothy Mahony (or his nominee) on the terms and conditions set out in the Explanatory Statement.’

RESOLUTION 16 - ISSUE OF SHARES TO CONVERTIBLE NOTEHOLDERS

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

‘That, subject to the passing of Resolutions 2 to 15 (inclusive), 17 and 18, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the allotment and issue by the Company of up to 3,065,625 fully paid ordinary shares (post-Consolidation) to

Convertible Noteholders (excluding the Convertible Noteholder referred to in Resolution 17) on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 17 – ISSUE OF SHARES TO BIATAN PTY LTD

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 16 (inclusive) and 18, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of up to 681,250 fully paid ordinary shares (post-Consolidation) to Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust as a Convertible Noteholder on the terms and conditions set out in the Explanatory Statement.'

RESOLUTION 18 – CHANGE OF NAME

To consider and, if thought fit, pass, with or without amendment, the following resolution as an ordinary resolution:

'That, subject to the passing of Resolutions 2 to 17 (inclusive), approval is given for the name of the Company to be changed to Xref Limited, and for all references to the Company's name in the Constitution of the Company to be replaced with Xref Limited.'

Dated 4 November 2015

**By Order of the Board
KING SOLOMON MINES LIMITED**



Robert J Waring
Company Secretary

NOTES:

1. Explanatory Statement

The Explanatory Statement accompanying this Notice of Extraordinary General Meeting is incorporated in and comprises part of this Notice of Extraordinary General Meeting and should be read in conjunction with this Notice of Extraordinary General Meeting.

Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in both this Notice of Extraordinary General Meeting and the Explanatory Statement.

2. Voting Exclusion Statements

(a) Resolution 2

The Company will disregard any votes cast on Resolution 2 by a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 2 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(b) Resolution 4

(i) Takeovers Code

Under Rule 17 of the Takeovers Code, the allottee and the allottee's associates are not permitted to vote on this Resolution.

(ii) ASX Listing Rules

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 4 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 4 is passed.

However, subject to paragraph 2(b)(i), the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(c) **Resolution 5**

(i) **Takeovers Code**

Under Rule 17 of the Takeovers Code, the allottee and the allottee's associates are not permitted to vote on this Resolution.

(ii) **ASX Listing Rules**

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 5 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 5 is passed.

However, subject to paragraph 2(c)(i), the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(d) **Resolution 6**

(i) **Takeovers Code**

Under Rule 17 of the Takeovers Code, the allottee and the allottee's associates are not permitted to vote on this Resolution.

(ii) **ASX Listing Rules**

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolution 6 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 6 is passed.

However, subject to paragraph 2(d)(i), the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(e) **Resolution 7**

The Company will disregard any votes cast on Resolution 7 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 7 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(f) **Resolutions 8, 9 and 10**

The Company will disregard any votes cast on Resolutions 8, 9 and 10 by a person (and their associates) who is to receive securities in relation to the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(g) **Resolution 11**

The Company will disregard any votes cast on Resolution 11 by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 11 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(h) **Resolutions 12, 13, 14 and 15**

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 12, 13, 14 and 15 by a person (and their associates) who is to receive securities in relation to the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(i) **Resolution 16**

The Company will disregard any votes cast on Resolution 16 by a person (and their associates) who may participate in the proposed issue and a person (and their

associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 16 is passed.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

(j) **Resolution 17**

The Company will disregard any votes cast on Resolution 17 by a person (and their associates) who is to receive securities in relation to the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Proxies

A shareholder entitled to attend this Meeting and vote is entitled to appoint a proxy to attend and vote for the shareholder at the Meeting. A proxy need not be a shareholder. If the shareholder is entitled to cast two or more votes at the Meeting the shareholder may appoint two proxies and may specify the proportion or number of votes which each proxy is appointed to exercise. A form of proxy accompanies this Notice.

To record a valid vote, a shareholder will need to complete and lodge the manual proxy form at the registered office of the Company:

3.1 by post at the following address:

PO Box 15-005
Otaki 5542
New Zealand

OR

3.2 by facsimile on +64 6 364 8497

OR

3.3 by hand at the following address:

242 Marine Parade
Otaki 5512
New Zealand

so that it is received no later than 11.00 am (EDST) on 24 November 2015.

The chair intends to vote undirected proxies in favour of each item of business.

4. 'Snap Shot' Time

Under s125 of the Companies Act, the Company may specify a date, not more than 20 working days before the Meeting, on which a 'snap-shot' of shareholders will be taken for the purposes of determining shareholder entitlements to vote at the Meeting based on the names registered on the Company's share register as at the date fixed. The Directors have determined that all shares of the Company that are quoted on ASX as at 5:00 pm (EDST) on 24 November 2015 shall, for the purposes of determining voting entitlements at the Meeting, be taken to be held by the persons registered as holding the shares at that time.

The Company may also specify a date, not more than 30 working days or less than 10 working days before the Meeting, determining which shareholders are entitled to receive notice of the Meeting based on the names registered on the Company's share register as at the date fixed. The Directors have determined that all shares of the Company that are quoted on ASX as at 5:00 pm (EDST) on 2 November 2015 shall, for the purposes of determining entitlement to receive notice of the Meeting, be taken to be held by the persons registered as holding the shares at that time.

5. Corporate Representative

Any corporate shareholder who has appointed a person to act as its corporate representative at the Meeting should provide that person with an executed certificate or letter authorising him or her to act as that company's representative. The authority may be sent to the Company and/or registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative.

EXPLANATORY STATEMENT

PART 1 – GENERAL INFORMATION

This Explanatory Statement forms part of a Notice convening an Extraordinary General Meeting of shareholders of King Solomon Mines Limited to be held on 26 November 2015. This Explanatory Statement is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 18 (inclusive).

1. CONSOLIDATION OF SHARES AND OPTIONS

Resolution 1 seeks shareholder approval to consolidate the number of shares on a 50 to one basis (rounded up to the nearest whole number) (**Consolidation**).

If shareholders approve the Xref Acquisition proposed by passing Resolutions 2 to 18 (inclusive), the Company will need to requalify for and seek admission to the official list of ASX. One of the conditions to requalify is that the Company must have a share price equal to, or greater than, \$0.20.

The proposed Consolidation is intended to position the Company so that the price of its shares will satisfy this condition to the Company's re-admission to the official list of ASX.

If Resolution 1 is passed, the Company will undertake the proposed Consolidation even if shareholders do not approve the Xref Acquisition by passing Resolutions 2 to 18 (inclusive).

Resolution 1 is a stand-alone resolution and does not depend on the passing of any other Resolution. The Directors recommend that shareholders vote in favour of Resolution 1.

2. CURRENT OPERATIONS

* Sonid North and Bu Dun Hua Projects – Inner Mongolia, China (100% KSO)

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 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**). The rights of the Company and AMX as shareholders of Plate are governed by an equity joint venture contract, entered into by the Company and AMX on 8 March 2006. Pursuant to that contract, the Company owns a 90% interest in Plate, and AMX holds 10% in trust for the Company due to Chinese regulatory requirements.

The Company ceased field exploration activities in March 2013. Since that time, the Company has sought to rationalise core assets.

The Company intends to commence negotiations for the outright sale or joint venture of the above project with effect from completion of the Xref Acquisition.

3. **CHANGE TO NATURE AND SCALE OF ACTIVITIES**

The acquisition by the Company of all the issued share capital of Xref involves a significant change to the nature of the Company's main business activity from exploring for minerals to the business of providing cloud-based pre-employment reference checks. Furthermore, the Xref Acquisition involves a significant change to the size of the Company's business operations. Given these circumstances, the significant change to the nature and scale of the Company's main business activity must be approved by the Company's shareholders under ASX Listing Rule 11.1.2. This approval is sought from shareholders in Resolution 2.

4. **INFORMATION ON THE XREF BUSINESS**

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 via an online candidate-referencing system.

Xref was founded in 2010 by executive directors Lee-Martin Seymour and Tim Griffiths to solve a dated, costly and inefficient process of conducting reference checks on suitable candidates. Xref is a faster, more reliable and less expensive alternative, which helps companies improve their recruitment processes. To date, except in respect of the Xref Convertible Notes, Xref has not raised any external capital to fund the business and has been cash-flow positive since inception.

Xref sets 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 outsource 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 allows 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.

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 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 is a profitable, high-growth business leveraged to the US\$15 billion human resource technology market. It is envisaged that in the first half of the 2015-16 financial year Xref 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.

Xref's shareholders are David Haines, Squirrel Holdings Australia Pty Ltd in its capacity as trustee of the Griffiths Family Trust and West Riding Investments Pty Ltd in its capacity as trustee of the Seymour Family Trust.

5. **CONDITIONS PRECEDENT TO COMPLETION OF THE XREF ACQUISITION**

On or about 20 October 2015 the Company entered into a Share Purchase Agreement with the Xref Vendors to acquire all the issued share capital of Xref in consideration for the issue of 50,000,000 fully paid ordinary shares (post-Consolidation), 16,666,667 A Class Performance Rights (post-Consolidation), 16,666,667 B Class Performance Rights (post-Consolidation) and 16,666,666 C Class Performance Rights (post-Consolidation).

The conditions precedent to completion of the Xref Acquisition are:

- (a) the Company obtaining all shareholder approvals required under the Companies Act and the ASX Listing Rules for the transaction contemplated by the Share Purchase Agreement;
- (b) the Company obtaining shareholder approval to consolidate its shares on a 50:1 basis;
- (c) the Company obtaining shareholder approval to change its name to 'Xref Limited';
- (d) the Company raising at least \$3 million via a prospectus for the offer of 15 million ordinary shares (post-Consolidation) at an offer price of at least \$0.20 each;
- (e) the Company obtaining conditional approval (subject only to the imposition of conditions usual to such approvals) from ASX for its ordinary shares to be reinstated to quotation on ASX;
- (f) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of Xref and the business it operates;
- (g) there being no material adverse change in the business, financial or trading position, or assets, liabilities or profitability or prospects of the Company; and
- (h) the transfer of trademarks 1709398 and 1709400 (being the 'Xref' name and logo) from Lee-Martin Seymour to Xref.

As at the date of lodgement of this Notice with ASX, none of the conditions precedent referred to above have been satisfied.

6. **XREF CONVERTIBLE NOTES**

As part of the Xref Acquisition, Xref agreed to complete an interim funding to raise gross proceeds of up to \$550,000 from existing and new investors (as referred to in Section 5 of Part 1 of this Explanatory Statement).

On 19 August 2015 the Company announced that Xref had now advised the Company that it had completed an oversubscribed interim funding capital raising of \$550,000, through the issue of an unsecured convertible note instrument (1% per month coupon) that automatically converts to ordinary shares in the Company when the Xref Acquisition is completed and when the Company recommences trading on ASX, at a 20% discount to the issue price under the Prospectus. If the Xref Acquisition does not complete, the notes will convert into Xref ordinary equity or can be redeemed for their face value (plus any accrued interest) at the note holder's discretion (which would not involve the Company).

By way of summary, the key terms of the Convertible Note Deeds, by which Xref has agreed to issue Xref Convertible Notes to each Convertible Noteholder, include the following:

- (a) the notes will accrue interest at 1% per calendar month during the period of the note;
- (b) if the minimum subscription under the Prospectus is achieved, and other conditions precedent for the Xref Acquisition are met (except for the Company obtaining conditional approval from ASX for reinstatement of the Company's shares to quotation on ASX), then on the date following the date on which the minimum subscription under the Prospectus is achieved, the principal amount of each loan, together with accrued interest, will automatically convert into the number of shares in the Company (or as rounded up to the nearest whole share in the event of a fractional entitlement) that results from dividing the total amount due in respect of all of the Xref Convertible Notes by the price being equal to 80% of the issue price of shares under the Prospectus; and
- (c) if the conversion does not take place as outlined above, in the event that the Xref Acquisition does not proceed and shareholder approval for the conversion and the transaction is not obtained, then the notes will mature and all outstanding amounts repaid by Xref or alternatively convert to Xref shares in accordance with the terms of the Convertible Note Deed.

7. **BOARD CHANGES**

On completion of the Xref Acquisition the Directors propose to appoint Messrs Lee-Martin Seymour, Tim Griffiths, and Tim Mahony as additional Directors. Furthermore, it is proposed that two of the existing Directors, Messrs Stephen McPhail and Simon Taylor, will resign as Directors, with Mr Simon O'Loughlin continuing as a Director.

Profiles of each of the proposed new Directors are set out below:

Lee-Martin Seymour

Lee is a co-founder of Xref. 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

Tim is a co-founder of Xref. 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.

Tim Mahony

Tim has a Bachelor of Financial Administration. He spent 16 years in investment banking, specialising in capital markets and debt trading, and the last seven of those years as a director of Fay Richwhite Australia. Tim has been involved, as investor or founder, in a number of technology start ups, either successfully exiting the business or growing the business to a mature growth phase. He was executive director of Perpetua, a business continuity and data storage business, which was acquired by an ASX listed company. He is a founder and director of Globalx Information, a digital information company providing information, software and services to the legal, corporate and spatial markets throughout Australia and the UK. Tim was an executive director of Quill Stationery, a leading paper based stationery company in Australia with a wholly owned manufacturing subsidiary in China.

8. RE-COMPLIANCE WITH CHAPTERS 1 AND 2 OF THE ASX LISTING RULES

The significant change to the nature and scale of the Company's main business activity arising from the Xref Acquisition will require re-compliance with ASX's admission requirements in Chapters 1 and 2.

In accordance with guidelines published by ASX, the Company intends requesting a trading halt under ASX Listing Rule 17.1 to apply from the start of trading on the date of the Extraordinary General Meeting. Then, if shareholders approve the change to the nature and scale of activities of the Company and related resolutions, trading in the Company's securities will be immediately suspended until re-compliance with the admission requirements is achieved.

ASX will consider the application of the escrow provisions in Chapter 9 when considering the Company's application for re-admission. ASX may, in certain circumstances, impose an escrow period of up to 24 months.

9. INDICATIVE TIMETABLE

An indicative timetable for re-compliance with the admission requirements is set out in the following table:

Event	Date
Despatch Notice of Meeting	4 November 2015
Lodge Prospectus with ASIC and ASX	19 November 2015
General Meeting	26 November 2015
Suspension of trading in the Company's securities	26 November 2015
Offer under Prospectus opens	27 November 2015
Offer under Prospectus closes	11 December 2015
Completion of Xref Acquisition and issue of shares under the Prospectus	29 December 2015
Expected date for re-quotations of the Company's shares on ASX	5 January 2016

10. **PRO-FORMA CAPITAL STRUCTURE**

The capital structure of the Company following completion of all of the Resolutions the subject of the Notice is set out in the following table:

	SHARES	OPTIONS	PERFORMANCE RIGHTS
Current issued capital (pre-Consolidation)	834,929,348	1,600,000	Nil
Current issued capital (post-Consolidation) assuming none of the current issued Options are exercised before the Consolidation (Resolution 1)	16,698,587	32,000	Nil
Issued capital on conversion of Xref Convertible Notes (post-Consolidation) (Resolutions 16 & 17)	3,746,875**	Nil	Nil
Issued to Xref Vendors (Resolutions 4, 5 & 6)	50,000,000	Nil	50,000,000
Issued pursuant to Capital Raising (Resolution 7, 8, 9 & 10)*	20,000,000	Nil	Nil
Issued to Taylor Collison (Resolution 11)*	Nil	2,808,909** [Nil] [Nil] [Nil] [Nil]	Nil

	SHARES	OPTIONS	PERFORMANCE RIGHTS
Issued to S O'Loughlin (Resolution 12)	Nil	300,000	Nil
Issued to S McPhail (Resolution 13)	Nil	250,000	Nil
Issued to S Taylor (Resolution 14)	Nil	250,000	Nil
Issued to T Mahony (Resolution 15)	Nil	900,000	Nil
Total issued capital on reinstatement*** assuming none of the current issued Options are exercised before reinstatement*	90,445,462**	4,540,909**	50,000,000

*Assumes that pursuant to Resolutions 7, 8, 9 & 10, the maximum number of 20,000,000 shares are issued.

**Assumes that the Xref Convertible Notes are converted on 6 May 2016, being nine months after their issue date. On 6 May 2016, the total amount outstanding on the Xref Convertible Notes will be \$599,500, comprising the \$550,000 raised and \$49,500 in interest, which equates to 3,746,875 shares (post-consolidation).

***Assumes that no Dissenting Shareholder (as defined in Annexure K) requires the Company to purchase its shares.

11. PRO-FORMA STATEMENT OF FINANCIAL POSITION

Set out in Annexure A is a pro-forma consolidated statement of financial position of the Company taking into account the Xref Acquisition. The pro-forma statement of financial position illustrates the effect of the Xref Acquisition as if it had occurred on 31 March 2015 (adjusted for certain events outlined in the notes in Annexure A).

12. USE OF FUNDS

Funds raised from the Capital Raising are intended to be used for the following purposes:

Use of proceeds over a one year period will be utilised as follows:

Use if the full amount is raised:

Legal, accounting, corporate	\$ 400,000
Capital Raising Fees (6%)	\$ 240,000
Global expansion	\$ 1,000,000
Sales and marketing growth	\$ 1,000,000
Platform development, data analytics and 3 rd party integrations	\$ 1,000,000
Other	<u>\$ 360,000</u>
	\$ 4,000,000

Use if the minimum amount is raised:

Legal, accounting, corporate	\$ 400,000
Capital Raising Fees (6%)	\$ 180,000
Global expansion	\$ 750,000
Sales and marketing growth	\$ 750,000
Platform development, data analytics and 3 rd party integrations	\$ 750,000
Other	<u>\$ 170,000</u>
	\$ 3,000,000

13. **ADVANTAGES OF THE XREF ACQUISITION**

13.1 **More certain return to shareholder value creation**

Your Directors have been mindful of the current state of the Australian share market with regard to junior exploration companies and continued low investor sentiment. Cash preservation has been front of mind however good investment opportunities have been sought. In the current share market environment there is greater likelihood of restoring shareholder value by progressing the proposed acquisition of Xref than if the Company was simply to remain a junior mineral explorer listed on ASX.

13.2 **Transaction provides shareholders with exposure to existing growing business**

The Xref Acquisition provides current shareholders of the Company with exposure to an existing well managed and expanding business involved in the recruitment and employment technology industry. The business will be well capitalised following a proposed minimum \$3 million equity raising. Existing and new funds will be directed to accelerate growth by funding additional sales and marketing activities as well as continuing product and service development to obtain market leadership.

13.3 **Increased investor interest and market liquidity**

Until recently, transactions in Company shares on ASX have been sparse. In more recent days this has changed and is mostly related to the 3 August 2015 announcement of the proposed acquisition of Xref. It is not unreasonable to anticipate continued improved liquidity going forward post completion of the Xref Acquisition.

13.4 **No cash payment for an existing growing business with track record**

The proposed acquisition of Xref has no cash consideration.

14. **DISADVANTAGES OF THE XREF ACQUISITION**

14.1 **Change of business focus and a move away from mineral exploration focus**

It is very likely that the Company, once it has changed its name to Xref Limited, will move out of the mineral exploration business and focus on the recruitment and employment technology industry. This may be seen as a disadvantage to some shareholders that were seeking, via the Company, a 'pure' mineral exploration investment.

14.2 **Issue of new securities pursuant to the resolutions will dilute existing shareholders**

The proposed Capital Raising of not less than \$3 million by way of a prospectus and the issue of shares to the Xref Vendors will be dilutive on some or all shareholders. Consequently, the current shareholders' voting power and influence over the affairs of the Company will be reduced.

14.3 **Transaction and Capital Raising costs**

The proposed transaction for the Company to acquire all the existing shares in Xref has required the Company to engage a number of advisers, lawyers and experts to facilitate and report on the proposal. This work includes preparation of this Notice of Extraordinary General Meeting and a prospectus to ensure compliance with ASX Listing Rules and other statutory requirements and approvals. These are sunk but necessary costs to all of the Company's shareholders.

Your Directors believe the advantages of the transaction substantially outweigh the disadvantages.

15. **RISKS**

15.1 **Specific Risk Factors**

1. **Operating Experience and Reliance on Key Personnel Risk**

KSO's incoming Directors and management team have significant experience in the human resource, recruitment, and technology industries. If growth objectives are to be met, this will depend on the ability of the incoming Directors and management to implement the current development strategies and to adapt, where necessary, to accommodate and manage any unforeseen difficulties. Initially, Xref will rely heavily on the experience of its existing management team and Directors and intends in the short term to secure the services of a team of experienced executives. There is no guarantee Xref will be successful in securing suitable additional executive management.

Xref depends on a number of key technical and management personnel, and the business could be severely disrupted if Xref lost the benefit of their services.

2. **Technology**

Xref's business is solely based around the software platform. Accordingly, as with all other technology products, there is a risk that the technology may be superseded by a new technology which has advantages over Xref's offerings, however given Xref's first mover advantage in Australia this risk is somewhat mitigated.

3. **Loss of Customers**

Whilst Xref enjoys an extremely high customer retention rate Xref must maintain and support its existing customer relationships to ensure they continue using the platform into the future and are receptive to the uptake of additional product offerings. The loss of

these customers would have an adverse impact on the financial position of Xref.

4. Sales and Marketing Success

Xref has been able to consistently grow its business without any expenditure on marketing, however following the Proposed Transaction, Xref intends to invest capital into greater domestic and international sales capacity. Selling and marketing of the software and the “Xref” brand will be vital to its sustained presence and success both domestically and globally. By its nature, there is no guarantee that Xref’s sales and marketing campaign will be successful. In the event that it is not this would have an impact on Xref’s future sales and profitability.

5. Brand and Reputation

Xref’s brand and reputation are key assets of the business. The reputation and value associated with these brands and related intellectual property could be adversely affected by a number of factors, including failing to provide customers with the quality of product they expect, disputes or litigation with third parties, employees, suppliers or customers, or adverse media coverage (including social media), or other circumstances including those beyond the direct control of Xref. Significant erosion in the reputation of, or value associated with Xref’s brands, could have an adverse effect on customer loyalty, relationships with key suppliers, employee retention rates, and overall demand for Xref’s products.

6. Increase in Competition

The HR Technology market is highly competitive. The actions of an existing competitor or the introduction of a new competitor in the HR Technology market may make it difficult for Xref to attract new users, expand its user base and subscribe for each of its product offerings. Competitor action may cause Xref’s existing customers to no longer “Top Up” and subscribe for a competitor’s product. This will materially affect Xref’s ability to grow its revenue, which in turn, may have an adverse effect on its profitability.

7. Funding

While Xref believes it will have sufficient funds following the Proposed Transaction to meet all of its growth and capital requirements for the near term, Xref may seek to exploit opportunities of a kind that will require it to raise additional capital from equity or debt sources. There can be no assurance that Xref will be able to raise such capital on favourable terms or at all. If Xref is unable to obtain such additional capital, it may be required to reduce the scope of its anticipated activities, which could adversely affect its business, financial condition and operating results.

8. Changes to Privacy Legislation

Xref currently complies with Australian, New Zealand and United Kingdom privacy laws in respect of the collection, use, storage and

disclosure of personal and sensitive information (which is done so through the platform). As Xref scales globally it will add the required controls and systems to be compliant in the relevant jurisdictions in which it will operate.

Any future adverse changes in privacy legislation (including changes to the *Privacy Act 1988* (Cth) and the Australian Privacy Principles), or changes in the way privacy laws are interpreted in the future could render the platform less attractive or contrary to law, which could have a material adverse effect on its business, operations and financial performance, and the price of its shares.

The global regulatory changes and risk profile could potentially affect its business, financial condition and operating results.

9. Reliance on Third Party Providers Risk

Xref relies on certain external third parties for the provision of services. Xref's web and systems infrastructure is located within a large global cloud provider, and although the systems are designed for redundancy, an issue with their service could potentially affect the service.

Xref integrates with external third party providers that provide either extended checking and/or services. Xref has no control over the reliability and availability of these external providers.

Xref integrates with clients' systems either directly or through external provider systems (ATS systems). Xref has no control over the reliability and availability of these external connections.

10. Regulatory Risk

Presently, Xref's operations are based in the Australia and are subject to Australian laws and regulations. However, Xref intends to expand Xref's operations into other markets such as the UK, the US and Asia. Users, competitors, members of the general public or regulators could allege breaches of legislation in the relevant jurisdictions. This could result in remedial action or litigation, which could potentially lead to Xref being required to pay compensation or a fine.

Xref's operations may become subject to regulatory requirements, such as licensing and reporting obligations, which would increase the costs and resources associated with regulatory compliance. Any such increase in the costs and resources associated with regulatory compliance could impact upon Xref's profitability. In addition, if regulators took the view that Xref had failed to comply with regulatory requirements, this could lead to enforcement action resulting in public warnings, infringement notices or the imposition of a pecuniary penalty. This could lead to significant damage to Xref's reputation and consequently impact on its revenue.

Xref intends to offer the Xref Platform, and any future developed products, throughout the world. Regulatory changes could see Xref being required to hold a licence in some of these jurisdictions or otherwise comply with local regulations. This could preclude Xref from offering certain services in these jurisdictions until such a

licence has been obtained, or may require Xref to comply with a range of regulatory requirements. Any such increase in the costs and resources associated with the regulatory compliance in these jurisdictions could impact upon Xref's profitability. As Xref scales globally there could potentially be additional regulatory requirements imposed in relevant jurisdictions.

11. Dependence on the internet

Expanding sales of the Xref Platform and other future developed products depends on the continued acceptance of the internet as a communications and commerce platform for individuals and enterprises. The internet could become less viable as a business tool due to delays in the development or adoption of new standards and protocols to handle increased demands of internet activity, security, reliability, cost, ease-of-use, accessibility and quality-of-service.

If for any reason the internet does not remain a widespread communications medium and reliable commercial platform, the demand for Xref's products would be significantly reduced, which would harm its business.

15.2 **General Risk Factors**

Economic conditions

The performance of Xref is likely to be affected by changes in economic conditions. Profitability of the business may be affected by some of the matters listed below:

1. future demand for cloud-based recruitment reference checking services;
2. general financial issues which may affect policies, exchange rates, inflation and interest rates;
3. deterioration in economic conditions, possibly leading to reductions in spending and other potential revenues which could be expected to have a corresponding adverse impact on Xref's operating and financial performance;
4. the strength of the equity and share markets in Australia and throughout the world;
5. financial failure or default by any entity with which Xref may become involved in a contractual relationship;
6. industrial disputes in Australia and overseas;
7. changes in investor sentiment towards particular market sectors;
8. the demand for, and supply of, capital; and
9. terrorism or other hostilities.

Government policies and legislation

Xref may be affected by changes to government policies and legislation, and taxation.

Insurance

Xref does, wherever practicable and economically advisable, utilise insurance to mitigate business risks. Such insurance may not always be available or may fall outside the scope of insurances cover. In addition, there remains the risk that an insurer defaults in the payment of a legitimate claim by Xref.

Litigation

Litigation brought by third parties including but not limited to customers, partners, suppliers, business partners or employees could negatively impact the business in the case where the impact of such litigation is greater than or outside the scope of Xref's insurance.

Other general risks

Other general risks associated with investment in Xref may include:

1. fluctuation of the price at which Xref's shares trade due to market factors; and
2. price volatility of Xref's shares in response to factors such as:
 - additions or departures of key personnel;
 - litigation and legislative change;
 - press newspaper or other media reports; and
 - actual or anticipated variations in Xref's operating results.

16. FUTURE DIRECTION FOR THE COMPANY IF THE CHANGE TO NATURE AND SCALE OF ACTIVITIES IS NOT APPROVED

If Resolutions 2 – 18 (inclusive) are not passed the Xref Acquisition will therefore not proceed. In this circumstance, the Company will continue with the evaluation of potential advanced opportunities that might meet criteria capable of adding significant shareholder value.

17. DIRECTORS' RECOMMENDATION

The Directors consider that the proposed change to the nature and scale of activities of the Company arising from the Xref Acquisition has the potential to add significant shareholder value for the Company's shareholders. Accordingly, the Directors recommend the Xref Acquisition and that shareholders vote in favour of proposed Resolutions 2 – 18 (inclusive).

EXPLANATORY STATEMENT

PART 2 - EXPLANATION OF THE PROPOSED RESOLUTIONS

This Explanatory Statement forms part of a Notice convening an Extraordinary General Meeting of shareholders of King Solomon Mines Limited to be held on 26 November 2015. This Explanatory Statement is to assist shareholders in understanding the background to and the legal and other implications of the Notice and the reasons for the Resolutions proposed. Both documents should be read in their entirety and in conjunction with each other.

Other than the information set out in this Explanatory Statement, the Directors believe that there is no other information that could reasonably be required by shareholders to consider Resolutions 1 to 18 (inclusive).

1. RESOLUTION 1 - CONSOLIDATION OF SHARES AND OPTIONS

(a) General comments

Resolution 1 seeks shareholder approval to consolidate the number of shares and Options existing at 26 November 2015 on a 50 to one basis (rounded up to the nearest whole number) (**Consolidation**).

(b) Background and explanation

If shareholders approve the Xref Acquisition proposed by passing Resolutions 2 to 18 (inclusive), the Company will need to requalify for and seek admission to the official list of ASX. One of the conditions to re-qualify is that the Company must have a share price equal to, or greater than, \$0.20.

The proposed Consolidation is intended to position the Company so that the price of its shares will satisfy this condition to the Company's re-admission to the official list of ASX.

If Resolution 1 is passed, the Company will undertake the proposed Consolidation even if shareholders do not approve the Xref Acquisition by passing Resolutions 2 to 18 (inclusive).

(c) Legal requirements

In the case of a consolidation of share capital of the Company, the ASX Listing Rules require that the number of Options on issue be consolidated in the same ratio as the ordinary capital and the exercise price be amended in inverse proportion to that ratio.

Accordingly, the Options on issue will be consolidated, and the exercise price of the Options amended, as follows (subject to adjustment for fractional calculations):

Existing Options and expiry date	Existing number of Options on issue	Existing exercise price	Number of Options on issue after consolidation	Exercise price of Options after consolidation
1,600,000 (29 July 2016)	1,600,000	\$0.12	32,000	\$6.00

(d) **Fractional entitlements**

The consolidation ratio is 50:1. Fractional entitlements may arise where shareholders or optionholders hold a number of shares or Options which cannot be evenly divided by 50. Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole share or Option (as applicable).

(e) **Taxation**

The Company considers that no taxation implications will arise for shareholders or optionholders from the Consolidation. However, shareholders and optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

(f) **Holding statements and Option certificates**

From the date of the Consolidation:

- (i) all holding statements for the shares will cease to have any effect, except as evidence of entitlement to a certain number of shares on a post-Consolidation basis; and
- (ii) all certificates for unlisted Options (if any) will cease to have any effect, except as evidence of entitlement to a number of Options on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for shares to be issued to holders of those securities and, to the extent required, new certificates for unlisted Options to be issued to optionholders.

(g) **Effect on Capital Structure**

Shareholders are referred to the pro-forma capital structure in paragraph 10 of Part 1 of the Explanatory Statement for the effect of the Consolidation on the capital structure of the Company.

(h) **Expected timetable for consolidation**

The Company will release a timetable in accordance with the ASX Listing Rules following satisfaction of the conditions to the Consolidation.

If shareholders approve the change in nature and scale of the Company's activities the subject of Resolution 2, the securities of the Company will remain suspended until the Company satisfies the requirements of Chapters 1 and 2 of the ASX Listing Rules.

The Company's securities will recommence trading on a T+3 basis when the Company has re-complied with Chapters 1 and 2 of the ASX Listing Rules and ASX confirms that it will reinstate the Company's securities to official quotation.

Resolution 1 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 1.

The chair intends to vote undirected proxies in favour of Resolution 1.

Resolution 1 is a stand-alone resolution and does not depend on the passing of any other Resolution.

2. **RESOLUTION 2 – CHANGE TO NATURE AND SCALE OF ACTIVITIES**

ASX Listing Rule 11.1 provides that if an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. Further, the following rules apply in relation to the proposed change:

- (a) the entity must give ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, the entity must get the approval of holders of its ordinary securities; and
- (c) if ASX requires, the entity must meet the requirements in Chapters 1 and 2 as if the entity were applying for admission to the official list.

The acquisition by the Company of all the issued share capital of Xref involves a significant change to the nature of the Company's main business activity from exploring for minerals to the provision of cloud-based pre-employment reference checks. Furthermore, the Xref Acquisition involves a significant change to the size of the Company's business operations (details of the Xref business and the proposed changes to the structure and business operations of the Company are provided in this Explanatory Statement). Given these circumstances, the significant change to the nature and scale of the Company's main business activity must be approved by the Company's shareholders under ASX Listing Rule 11.1.2. Moreover, the significant change to the nature and scale of the Company's main business activity will require re-compliance with ASX's admission requirements in Chapters 1 and 2 of the ASX Listing Rules.

If Resolution 2 is passed the Company will have complied with the requirement to obtain shareholder approval for the significant change to the nature and scale of its activities. Conversely, if Resolution 2 is not passed the Company will not be allowed to change the nature and scale of its activities as proposed in this Explanatory Statement and the Xref Acquisition will not proceed.

Resolution 2 is an ordinary resolution.

The Directors recommend shareholders vote in favour of Resolution 2.

The chair intends to vote undirected proxies in favour of Resolution 2.

The passing of Resolution 2 is conditional upon, and subject to, Resolutions 3 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 2, you should also vote in favour of Resolutions 3 - 18 (inclusive).

3. **RESOLUTION 3 – ENTERING INTO A MAJOR TRANSACTION**

Major Transaction

An overview of the Proposed Transaction is set out in Sections 1 to 17 of Part 1 of the Explanatory Statement.

Under the Proposed Transaction, the Company will acquire assets (including all of the shares in Xref Pty Ltd) which have a value that is greater than half the value of the Company's assets before the acquisition. Therefore the Company will be entering into a 'major transaction' for the purposes of section 129 of the Companies Act. Section 129 of the Companies Act requires that Resolution 3 must be passed by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

Resolution 3 is a **special resolution**, which requires a resolution of shareholders approved by a majority of 75% of the votes of those shareholders entitled to vote and voting on the question.

The Directors recommend that shareholders vote in favour of Resolution 3 for the reasons set out in Section 13 of Part 1 of the Explanatory Statement.

The chair intends to vote undirected proxies in favour of Resolution 3.

The passing of Resolution 3 is conditional upon, and subject to, Resolutions 2 and 4 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 3, you should also vote in favour of Resolutions 2 and 4 - 18 (inclusive).

In respect of those shareholders who vote against Resolution 3, section 110 of the Companies Act gives those shareholders certain rights to require the Company to purchase their shares in the Company, if Resolution 3 is passed. Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against Resolution 3 is entitled to require the Company to purchase their shares.

The right to have shares purchased must be exercised within 10 Business Days of the passing of Resolution 3 by the dissenting shareholder by giving written notice to the Company. The mechanics and the procedure for such an acquisition are provided in **Annexure K** to this Notice of Meeting.

The passing of Resolution 3 is conditional upon, and subject to, Resolutions 2 and 4 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 3, you should also vote in favour of Resolutions 2 and 4 - 18 (inclusive).

4. **RESOLUTION 4 – ISSUE OF SHARES TO DAVID HAINES**

Resolution 4 seeks approval by shareholders:

- (a) for the issue of Consideration Securities to Mr David Haines for the purpose of ASX Listing Rule 7.1; and
- (b) for the allotment to Mr David Haines of up to 2,093,389 fully paid ordinary shares under the Proposed Transaction for the purposes of Rule 7(d) of the Takeovers Code.

Takeovers Code Requirements

Under Rule 6 of the Takeovers Code, a person who holds or controls:

- No voting rights, or less than 20% of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting

rights in the code company unless, after that event, that person and the person's associates hold or control not more than 20% of the voting rights in the code company; or

- 20% or more of the voting rights in a code company may not become a holder or controller of an increased percentage of the voting rights in the code company.

There are a number of exceptions to this rule. These include where a person becomes the holder or controller of voting rights in a code company by allotment of shares that has been approved by an ordinary resolution pursuant to Rule 7(d) of the Takeovers Code.

The Company is a code company. The Proposed Transaction involves David Haines being allotted up to 2,093,389 fully paid ordinary shares. David Haines, Squirrel and West Riding, the Xref Vendors, are associates for the purposes of the Takeovers Code. None of the Xref Vendors will hold any voting rights in the Company prior to the Proposed Transaction. When aggregated with the allotments to Squirrel and West Riding detailed in Explanatory Notes to Resolutions 5 and 6 (**David Haines' Associates** for the purposes of the Takeovers Code), David Haines and David Haines' Associates will, following completion of the Proposed Transaction, hold up to **100,170,313** fully paid ordinary shares comprising **74.1%** of the voting rights in the Company. The allotment of shares to David Haines under the Proposed Transaction therefore requires approval by an ordinary resolution in accordance with Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.

Rule 18 of the Takeovers Code requires the Company to obtain an Independent Adviser's Report. The purpose of the Independent Adviser's Report is to assess the merits of the Proposed Transaction. RSM Financial Services Australia Corporate Pty Ltd has prepared such a Report and a copy of it accompanies this Notice of Meeting. RSM Financial Services Australia Corporate Pty Limited's appointment was approved by the Takeovers Panel.

The information required under Rule 16 of the Takeovers Code in respect of the proposed allotment to David Haines is set out in Annexure **J** of this Notice of Meeting.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 4 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of:

- 1,923,076 fully paid ordinary shares (post-Consolidation),

to Mr David Haines. Some or all of the shares will be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue:
 - 1,923,076 fully paid ordinary shares (post-Consolidation).
- The Consideration Securities referred to in Resolution 4 will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all Consideration Securities will be issued on the same date.
- The Consideration Securities referred to in Resolution 4 will not be issued for cash consideration.
- The Consideration Securities referred to in Resolution 4 will be issued to Mr David Haines.
- The consideration shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the Consideration Securities.

Resolution 4 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 4. The Directors' statement containing the reasons for this recommendation is set out in Annexure *J*.

The chair intends to vote undirected proxies in favour of Resolution 4.

The passing of Resolution 4 is conditional upon, and subject to, Resolutions 2, 3 and 5 - 18 (inclusive) being approved by shareholders and the Company obtaining the approval of ASX for reinstatement of its securities to quotation. Accordingly if you intend to vote in favour of Resolution 4, you should also vote in favour of Resolutions 2, 3 and 5 - 18 (inclusive).

5. **RESOLUTION 5 – ISSUE OF CONSIDERATION SECURITIES TO SQUIRREL HOLDINGS AUSTRALIA PTY LTD**

Resolution 5 seeks approval by shareholders:

- (a) for the issue by the Company to Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust of Consideration Securities and for the issue of fully paid ordinary shares on conversion of the Consideration Securities comprising A Class Performance Rights, B Class Performance Rights and C Class Performance Rights, for the purpose of ASX Listing Rule 7.1; and
- (b) for the allotment to Squirrel Holdings Australia Pty Ltd (ACN 606 505 328) in its capacity as trustee of the Griffiths Family Trust of up to 49,038,462 fully paid ordinary shares under the Proposed Transaction for the purposes of Rule 7(d) of the Takeovers Code.

Takeovers Code Requirements

The application of Rule 6 of the Takeovers Code in the context of this transaction is explained in the Explanatory Statement to Resolution 4.

The Company is a code company. In accordance with Rule 7(d) of the Takeovers Code the Proposed Transaction involves Squirrel being allotted up to 49,038,462 fully paid ordinary shares which requires approval by an ordinary resolution as an exception to Rule 6 of the Takeovers Code because following completion of the Proposed Transaction:

- Squirrel will hold up to 49,038,462 fully-paid ordinary shares comprising up to 36.3% of the voting rights in the Company; and
- when aggregated with the allotments to West Riding and David Haines detailed in the Explanatory Notes for Resolutions 4 and 6 (**Squirrel's Associates** for the purposes of the Takeovers Code), Squirrel and Squirrel's Associates will, following completion of the Proposed Transaction, hold up to 100,170,313 fully-paid ordinary shares comprising 74.1% of the voting rights in the Company.

Rule 18 of the Takeovers Code requires the Company to obtain an Independent Adviser's Report. The purpose of the Independent Adviser's Report is to assess the merits of the Proposed Transaction. RSM Financial Services Australia Corporate Pty Ltd has prepared such a Report and a copy of it accompanies this Notice of Meeting. RSM Financial Services Australia Corporate Pty Limited's appointment was approved by the Takeovers Panel.

The information required under Rule 16 of the Takeovers Code in respect of the proposed allotment to Squirrel is set out in Annexure **H** of this Notice of Meeting.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 5 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of:

- 24,038,462 fully paid ordinary shares (post-Consolidation);
- 8,333,333 A Class Performance Rights (post-Consolidation);
- 8,333,334 B Class Performance Rights (post-Consolidation); and
- 8,333,333 C Class Performance Rights (post-Consolidation)

to Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust. Some or all of the shares will be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue:
 - 24,038,462 fully paid ordinary shares (post-Consolidation);
 - 8,333,333 A Class Performance Rights (post-Consolidation);
 - 8,333,334 B Class Performance Rights (post-Consolidation); and
 - 8,333,333 C Class Performance Rights (post-Consolidation).
- The Consideration Securities referred to in Resolution 5 will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all Consideration Securities will be issued on the same date.
- The Consideration Securities referred to in Resolution 5 will not be issued for cash consideration.
- The Consideration Securities referred to in Resolution 5 will be issued to Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust.
- The consideration shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.

Full terms of the A Class Performance Rights are set out in Annexure B, full terms of the B Class Performance Rights are set out in Annexure C and full terms of the C Class Performance Rights are set out in Annexure D.

- No funds will be raised from the issue of the Consideration Securities.

Resolution 5 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 5. The Directors' statement containing the reasons for this recommendation is set out in Annexure *H*.

The chair intends to vote undirected proxies in favour of Resolution 5.

The passing of Resolution 5 is conditional upon, and subject to, Resolutions 2 – 4 (inclusive) and 6 – 18 (inclusive) being approved by shareholders and the Company obtaining the approval of ASX for reinstatement of its securities to quotation. Accordingly if you intend to vote in favour of Resolution 5, you should also vote in favour of Resolutions 2 – 4 (inclusive) and 6 - 18 (inclusive).

6. **RESOLUTION 6 – ISSUE OF CONSIDERATION SECURITIES TO WEST RIDING INVESTMENTS PTY LTD**

Resolution 6 seeks approval by shareholders:

- (a) for the issue by the Company to West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust of Consideration

Securities and for the issue of fully paid ordinary shares on conversion of the Consideration Securities comprising A Class Performance Rights, B Class Performance Rights and C Class Performance Rights, for the purpose of ASX Listing Rule 7.1; and

- (b) for the allotment to West Riding Investments Pty Limited (ACN 606 505 319) in its capacity as trustee of the Seymour Family Trust of up to 49,038,462 fully paid ordinary shares under the Proposed Transaction for the purposes of Rule 7(d) of the Takeovers Code.

Takeovers Code Requirements

The application of Rule 6 of the Takeovers Code in the context of this transaction is explained in the Explanatory Statement to Resolution 4.

The Company is a code company. In accordance with Rule 7(d) of the Takeovers Code the Proposed Transaction involves West Riding being allotted up to 49,038,462 fully paid ordinary shares, which requires approval by an ordinary resolution as an exception to Rule 6 of the Takeovers Code because following completion of the Proposed Transaction:

- West Riding will hold up to 49,038,462 fully-paid ordinary shares comprising up to 36.3% of the voting rights in the Company; and
- when aggregated with the allotments to Squirrel and David Haines detailed in the Explanatory Notes for Resolutions 4 and 5 (**West Riding's Associates** for the purposes of the Takeovers Code), West Riding and West Riding's Associates will, following completion of the Proposed Transaction, hold up to 100,170,313 fully-paid ordinary shares comprising 74.1% of the voting rights in the Company.

Rule 18 of the Takeovers Code requires the Company to obtain an Independent Adviser's Report. The purpose of the Independent Adviser's Report is to assess the merits of the Proposed Transaction. RSM Financial Services Australia Corporate Pty Ltd has prepared such a Report and a copy of it accompanies this Notice of Meeting. RSM Financial Services Australia Corporate Pty Limited's appointment was approved by the Takeovers Panel.

The information required under Rule 16 of the Takeovers Code in respect of the proposed allotment to West Riding is set out in Annexure **I** of this Notice of Meeting.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 6 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of:

- 24,038,462 fully paid ordinary shares (post-Consolidation);
- 8,333,334 A Class Performance Rights (post-Consolidation);

- 8,333,333 B Class Performance Rights (post-Consolidation); and
- 8,333,333 C Class Performance Rights (post-Consolidation)

to West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust. Some or all of the shares will be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue:
 - 24,038,462 fully paid ordinary shares (post-Consolidation);
 - 8,333,334 A Class Performance Rights (post-Consolidation);
 - 8,333,333 B Class Performance Rights (post-Consolidation); and
 - 8,333,333 C Class Performance Rights (post-Consolidation).
- The Consideration Securities referred to in Resolution 6 will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all Consideration Securities will be issued on the same date.
- The Consideration Securities referred to in Resolution 6 will not be issued for cash consideration.
- The Consideration Securities referred to in Resolution 6 will be issued to West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust.
- The consideration shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.

Full terms of the A Class Performance Rights are set out in Annexure B, full terms of the B Class Performance Rights are set out in Annexure C and full terms of the C Class Performance Rights are set out in Annexure D.

- No funds will be raised from the issue of the Consideration Securities.

Resolution 6 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 6. The Directors' statement containing the reasons for this recommendation is set out in Annexure I.

The chair intends to vote undirected proxies in favour of Resolution 6.

The passing of Resolution 6 is conditional upon, and subject to, Resolutions 2 – 5 (inclusive) and 7 - 18 (inclusive) being approved by shareholders and the Company obtaining the approval of ASX for reinstatement of its securities to quotation. Accordingly if you intend to vote in favour of Resolution 6, you should also vote in favour of Resolutions 2 – 5 (inclusive) and 7 - 18 (inclusive).

7. RESOLUTION 7 – CAPITAL RAISING

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 7 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of 15,000,000 shares (post-Consolidation) at an issue price of \$0.20 per share to raise \$3,000,000 (minimum subscription) and up to an additional 5,000,000 shares (post-Consolidation) at an issue price of \$0.20 per share to raise up to an additional \$1,000,000 by way of oversubscriptions (maximum subscription) (**Capital Raising**).

The Company is undertaking the Capital Raising in conjunction with the Xref Acquisition, using a prospectus (**Prospectus**) to satisfy ASX Listing Rule 1.1 condition 3 and re-comply with ASX's admission requirements.

The Company intends to issue the Prospectus on or about 19 November 2015.

If Resolution 7 is passed it will permit the Directors to complete the Capital Raising no later than three months after the date of the Meeting (or such longer period as allowed by ASX) without impacting on the Company's 15% placement limit under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The Company will issue a maximum of 20,000,000 shares (post-Consolidation) pursuant to the Capital Raising.
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares issued under the Prospectus will be issued on the same date.
- The issue price will be \$0.20 per share.
- The shares will be issued to applicants for shares under the Prospectus, to clients of Taylor Collison and others as determined by the Board, none of whom will be related parties of the Company, other than as set out in Resolutions 8, 9 and 10.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The use of funds raised under the Prospectus are detailed in Section 12 of Part 1 of the Explanatory Statement.

Resolution 7 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 7.

The chair intends to vote undirected proxies in favour of Resolution 7.

The passing of Resolution 7 is conditional upon, and subject to, Resolutions 2 – 6 (inclusive) and 8 – 18 (inclusive) being approved by shareholders. Accordingly, if you

intend to vote in favour of Resolution 7, you should also vote in favour of Resolutions 2 – 6 (inclusive) and 8 – 18 (inclusive).

8. **RESOLUTION 8 – ISSUE OF SHARES TO SIMON O’LOUGHLIN UNDER PROSPECTUS**

Mr Simon O’Loughlin intends to participate in the Capital Raising. Subject to shareholder approval, it is proposed that Mr O’Loughlin (or his nominee) will be issued up to 250,000 shares (post-Consolidation) under the Capital Raising.

The proposed share issue to Mr O’Loughlin (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr O’Loughlin is a Director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 10.13:

- The shares will be issued to Mr O’Loughlin (or his nominee), as applicant for shares under the Prospectus.
- The Company will issue a maximum of 250,000 shares (post-Consolidation) to Mr O’Loughlin (or his nominee) pursuant to the Capital Raising.
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the shares to be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares issued under the Prospectus will be issued on the same date.
- The issue price will be \$0.20 per share.
- The shares will be issued on the same terms as the Company’s existing issued fully paid ordinary shares.
- The use of funds raised under the Prospectus are detailed in Section 12 of Part 1 of the Explanatory Statement.

Resolution 8 is an ordinary resolution.

The Directors (other than Mr O’Loughlin) do not have an interest in the outcome of Resolution 8 and recommend that shareholders vote in favour of Resolution 8.

The chair intends to vote undirected proxies in favour of Resolution 8.

The passing of Resolution 8 is conditional upon, and subject to, Resolutions 2 - 7 (inclusive) and 9 – 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 8, you should also vote in favour of Resolutions 2 – 7 (inclusive) and 9 – 18 (inclusive).

9. **RESOLUTION 9 – ISSUE OF SHARES TO SIMON TAYLOR UNDER PROSPECTUS**

Mr Simon Taylor intends to participate in the Capital Raising. Subject to shareholder approval, it is proposed that Mr Taylor (or his nominee) will be issued up to 150,000 shares (post-Consolidation) under the Capital Raising.

The proposed share issue to Mr Taylor (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr Taylor is a Director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 10.13:

- The shares will be issued to Mr Taylor (or his nominee), as applicant for shares under the Prospectus.
- The Company will issue a maximum of 150,000 shares (post-Consolidation) to Mr Taylor (or his nominee) pursuant to the Capital Raising.
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the shares to be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares issued under the Prospectus will be issued on the same date.
- The issue price will be \$0.20 per share.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The use of funds raised under the Prospectus are detailed in Section 12 of Part 1 of the Explanatory Statement.

Resolution 9 is an ordinary resolution.

The Directors (other than Mr Taylor) do not have an interest in the outcome of Resolution 9 and recommend that shareholders vote in favour of Resolution 9.

The chair intends to vote undirected proxies in favour of Resolution 9.

The passing of Resolution 9 is conditional upon, and subject to, Resolutions 2 - 8 (inclusive) and 10 – 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 9, you should also vote in favour of Resolutions 2 – 8 (inclusive) and 10 – 18 (inclusive).

10. **RESOLUTION 10 – ISSUE OF SHARES TO TIMOTHY MAHONY UNDER PROSPECTUS**

Mr Timothy Mahony intends to participate in the Capital Raising. Subject to shareholder approval, it is proposed that Mr Mahony (or his nominee) will be issued up to 1,000,000 shares (post-Consolidation) under the Capital Raising.

The proposed share issue to Mr Mahony (or his nominee) requires the approval of shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr Mahony is a proposed Director of the Company and, as such, is a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 10.13:

- The shares will be issued to Mr Mahony (or his nominee), as applicant for shares under the Prospectus.
- The Company will issue a maximum of 1,000,000 shares (post-Consolidation) to Mr Mahony (or his nominee) pursuant to the Capital Raising.
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the shares to be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares issued under the Prospectus will be issued on the same date.
- The issue price will be \$0.20 per share.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- The use of funds raised under the Prospectus are detailed in Section 12 of Part 1 of the Explanatory Statement.

Resolution 10 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 10 and recommend that shareholders vote in favour of Resolution 10.

The chair intends to vote undirected proxies in favour of Resolution 10.

The passing of Resolution 10 is conditional upon, and subject to, Resolutions 2 - 9 (inclusive) and 11 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 10, you should also vote in favour of Resolutions 2 - 9 (inclusive) and 11 - 18 (inclusive).

11. **RESOLUTION 11 – ISSUE OF OPTIONS TO TAYLOR COLLISON LIMITED**

The Company and Taylor Collison are parties to a mandate letter dated 18 March 2015 under which the Company has agreed to issue that number of Options to Taylor Collison equating to 2% of the issued capital of the Company (post-Capital Raising) upon completion of the Xref Acquisition.

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 11 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of up to 2,808,909 Options (post-Consolidation) to Taylor Collison (or its nominee). Some or all of the Options will likely be subject to ASX imposed escrow conditions.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3:

- The Company will issue a maximum of 2,808,909 Options (post-Consolidation).
- The Options will be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration but for the provision of corporate services in relation to introducing Xref to the Company.
- The Options will be issued to Taylor Collison (or its nominee).
- Full terms of the Options are set out in Annexure E.
- No funds will be raised from the issue of the Options.

Resolution 11 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 11.

The chair intends to vote undirected proxies in favour of Resolution 11.

The passing of Resolution 11 is conditional upon, and subject to, Resolutions 2 – 10 (inclusive) and 12 – 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 11, you should also vote in favour of Resolutions 2 – 10 (inclusive) and 12 – 18 (inclusive).

12. **RESOLUTION 12 – ISSUE OF OPTIONS TO SIMON O’LOUGHLIN**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 300,000 Options (post-Consolidation) to the Company’s current non-executive Chairman, Mr Simon O’Loughlin (or his nominee), each to acquire one new ordinary share in the Company.

The Options will be granted as a key component of Mr O’Loughlin’s remuneration in order to retain his services and provide incentive linked to the performance of the Company.

Shareholder approval is required under ASX Listing Rule 10.11 because Mr O’Loughlin is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- The Company will issue 300,000 Options (post-Consolidation).

- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the Options to be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration but as a key component of Mr O’Loughlin’s remuneration by the Company.
- The Options will be issued to Mr O’Loughlin (or his nominee).
- Full terms of the Options are set out in Annexure E.
- No funds will be raised from the issue of the Options.

Resolution 12 is an ordinary resolution.

The Directors (other than Mr O’Loughlin) do not have an interest in the outcome of Resolution 12 and recommend that shareholders vote in favour of Resolution 12.

The chair intends to vote undirected proxies in favour of Resolution 12.

The passing of Resolution 12 is conditional upon, and subject to, Resolutions 2 – 11 (inclusive) and 13 – 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 12, you should also vote in favour of Resolutions 2 – 11 (inclusive) and 13 – 18 (inclusive).

13. **RESOLUTION 13 – ISSUE OF OPTIONS TO STEPHEN MCPHAIL**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 250,000 Options (post-Consolidation) to the Company’s current managing director, Mr Stephen McPhail (or his nominee), each to acquire one new ordinary share in the Company.

The Options will be granted as a key component of Mr McPhail’s remuneration in recognition of his past services to the Company.

Shareholder approval is required under ASX Listing Rule 10.11 because Mr McPhail is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- The Company will issue 250,000 Options (post-Consolidation).
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the Options to be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration but as a key component of Mr McPhail’s remuneration by the Company.
- The Options will be issued to Mr McPhail (or his nominee).
- Full terms of the Options are set out in Annexure E.

- No funds will be raised from the issue of the Options.

Resolution 13 is an ordinary resolution.

The Directors (other than Mr McPhail) do not have an interest in the outcome of Resolution 13 and recommend that shareholders vote in favour of Resolution 13.

The chair intends to vote undirected proxies in favour of Resolution 13.

The passing of Resolution 13 is conditional upon, and subject to, Resolutions 2 – 12 (inclusive) and 14 – 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 13, you should also vote in favour of Resolutions 2 – 12 (inclusive) and 14 – 18 (inclusive).

14. **RESOLUTION 14 – ISSUE OF OPTIONS TO SIMON TAYLOR**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 250,000 Options (post-Consolidation) to the Company's current non-executive director, Mr Simon Taylor (or his nominee), each to acquire one new ordinary share in the Company.

The Options will be granted as a key component of Mr Taylor's remuneration in recognition of his past services to the Company.

Shareholder approval is required under ASX Listing Rule 10.11 because Mr Taylor is a Director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- The Company will issue 250,000 Options (post-Consolidation).
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the Options to be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration but as a key component of Mr Taylor's remuneration by the Company.
- The Options will be issued to Mr Taylor (or his nominee).
- Full terms of the Options are set out in Annexure E.
- No funds will be raised from the issue of the Options.

Resolution 14 is an ordinary resolution.

The Directors (other than Mr Taylor) do not have an interest in the outcome of Resolution 14 and recommend that shareholders vote in favour of Resolution 14.

The chair intends to vote undirected proxies in favour of Resolution 14.

The passing of Resolution 14 is conditional upon, and subject to, Resolutions 2 – 13 (inclusive) and 15 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 14, you should also vote in favour of Resolutions 2 – 13 (inclusive) and 15 - 18 (inclusive).

15. **RESOLUTION 15 – ISSUE OF OPTIONS TO TIMOTHY MAHONY**

The Board has resolved, subject to obtaining shareholder approval, to allot and issue 900,000 Options (post-Consolidation) to the Company's proposed non-executive director, Mr Timothy Mahony (or his nominee), each to acquire one new ordinary share in the Company.

The Options will vest as follows:

- as to 300,000 options, upon Mr Mahony being appointed to the Board;
- as to 300,000 options, upon the achievement of the Conversion Event under the terms of the A Class Performance Rights outlined in Annexure B; and
- as to 300,000 options, upon the achievement of the Conversion Event under the terms of the B Class Performance Rights outlined in Annexure C.

The Options will be granted as a key component of Mr Mahony's remuneration.

Shareholder approval is required under ASX Listing Rule 10.11 because Mr Mahony is a proposed director of the Company and, as such, a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

For the purposes of ASX Listing Rule 10.13 information regarding the proposed Options grant is provided as follows to the extent that such information is not disclosed elsewhere in this Explanatory Statement:

- The Company will issue 900,000 Options (post-Consolidation).
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the Options to be issued no later than three months after the date of this Meeting or such later date permitted by ASX.
- The Options will not be issued for cash consideration but as a key component of Mr Mahony's remuneration by the Company.
- The Options will be issued to Mr Mahony (or his nominee).
- Full terms of the Options are set out in Annexure F.
- No funds will be raised from the issue of the Options.

Resolution 15 is an ordinary resolution.

The Directors do not have an interest in the outcome of Resolution 15 and recommend that shareholders vote in favour of Resolution 15.

The chair intends to vote undirected proxies in favour of Resolution 15.

The passing of Resolution 15 is conditional upon, and subject to, Resolutions 2 – 14 (inclusive) and 16 - 18 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 15, you should also vote in favour of Resolutions 2 – 14 (inclusive) and 16 - 18 (inclusive).

16. **RESOLUTION 16 – ISSUE OF SHARES TO CONVERTIBLE NOTEHOLDERS**

On 19 August 2015 the Company announced the issue by Xref of the Xref Convertible Notes to a value of \$550,000 (as referred to in Section 6 of Part 1 of this Explanatory Statement).

ASX Listing Rule 7.1 sets out the basic prohibition on an entity issuing or agreeing to issue equity securities in any 12 month period which amount to more than 15% of its ordinary securities. An issue in excess of the 15% limit can be made with the approval of holders of ordinary securities.

Resolution 16 seeks approval by shareholders under ASX Listing Rule 7.1 for the issue of up to 3,065,625 (post-Consolidation) fully paid ordinary shares to the Convertible Noteholders (excluding the Convertible Noteholder referred to in Resolution 17) upon conversion of the Xref Convertible Notes. Further terms and conditions of the Xref Convertible Notes are outlined in Section 6 of Part 1 of this Explanatory Statement, and the notes to the table in Section 10 of Part 1 of this Explanatory Statement.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 7.3.

- The Company will issue up to 3,065,625 fully paid ordinary shares (post-Consolidation), upon conversion of the Xref Convertible Notes.
- The shares will be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares will be issued on the same date.
- The shares will not be issued for cash consideration.
- The shares will be issued to the Convertible Noteholders in accordance with the terms and conditions set out in the Convertible Note Deeds entered into between Xref and the Convertible Noteholders.
- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares upon conversion of the Xref Convertible Notes.

Resolution 16 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 16.

The chair intends to vote undirected proxies in favour of Resolution 16.

The passing of Resolution 16 is conditional upon, and subject to, Resolutions 2 – 15 (inclusive), 17 and 18 being approved by shareholders. Accordingly if you intend to vote in favour of Resolution 16, you should also vote in favour of Resolutions 2 – 15 (inclusive), 17 and 18.

17. **RESOLUTION 17 – ISSUE OF SHARES TO BIATAN PTY LTD**

Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust is a Convertible Noteholder. Subject to shareholder approval, it is proposed that Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust will be issued up to 681,250 shares (post-Consolidation) upon conversion of Xref Convertible Notes. Further terms and conditions of the Xref Convertible Notes are outlined in Section 6 of Part 1 of this Explanatory Statement, and the notes to the table in Section 10 of Part 1 of this Explanatory Statement.

The proposed share issue to Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust requires the approval of shareholders pursuant to ASX Listing Rule 10.11. Shareholder approval is required under ASX Listing Rule 10.11 because Mr Timothy Mahony is a proposed Director of the Company and the spouse of the sole director and secretary (Ms Jackie Jadranka Pervan) of Biatan Pty Ltd, the responsible entity (as trustee) of the Mahony Family Trust (**Trust**), with the result that the Trust is therefore a related party of the Company. If shareholder approval is given under ASX Listing Rule 10.11, shareholder approval is not required under ASX Listing Rule 7.1.

The following additional information is provided pursuant to the requirements of ASX Listing Rule 10.13:

- The shares will be issued to Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust upon conversion of Xref Convertible Notes held by Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust.
- The Company will issue a maximum of 681,250 shares (post-Consolidation) to Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust upon conversion of Xref Convertible Notes held by Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust (**Trust**).
- ASX has granted the Company a waiver from ASX Listing Rule 10.13.3 to permit the shares to be issued no later than three months after the date of this Meeting or such later date as permitted by ASX. It is intended that all shares will be issued on the same date.
- The sole director and secretary of Biatan Pty Ltd ACN 064 677 845 (being the responsible entity of the Trust) is Ms Jackie Jadranka Pervan, who is the spouse of Mr Timothy Mahony, a proposed Director of the Company. The Trust is therefore a related party of the Company.
- The shares will not be issued for cash consideration but upon conversion of the Xref Convertible Notes held by Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust.
- The shares will be issued to Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust in accordance with the terms and conditions set out in the Convertible Note Deed entered into between Xref and Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust.

- The shares will be issued on the same terms as the Company's existing issued fully paid ordinary shares.
- No funds will be raised from the issue of the shares upon conversion of the Xref Convertible Notes held by Biatan Pty Ltd ACN 064 677 845 in its capacity as trustee of the Mahony Family Trust, however the deemed issue price will be \$0.16 per share.

Resolution 17 is an ordinary resolution.

The Directors recommend that shareholders vote in favour of Resolution 17.

The chair intends to vote undirected proxies in favour of Resolution 17.

The passing of Resolution 17 is conditional upon, and subject to, Resolutions 2 – 16 (inclusive) and 18 being approved by shareholders. Accordingly if you intend to vote in favour of Resolution 17, you should also vote in favour of Resolutions 2 – 16 (inclusive) and 18.

18. **RESOLUTION 18 – CHANGE OF NAME**

The Company submits to shareholders for consideration and adoption by way of an ordinary resolution for the name of the Company to be changed to Xref Limited and for the Company's Constitution to be updated to reflect the change of name.

Resolution 18 is an ordinary resolution

The Directors recommend that shareholders vote in favour of Resolution 18.

The chair intends to vote undirected proxies in favour of Resolution 18.

The passing of Resolution 18 is conditional upon, and subject to, Resolutions 2 – 17 (inclusive) being approved by shareholders. Accordingly, if you intend to vote in favour of Resolution 18, you should also vote in favour of Resolutions 2 – 17 (inclusive).

19. **GLOSSARY**

In this Explanatory Statement and Notice of Extraordinary General Meeting the following expressions have the following meanings unless stated otherwise or unless the context otherwise requires:

\$ means Australian dollars.

A Class Performance Right means a Performance Right with the terms and conditions set out in Annexure B.

Annexure means an annexure to this Explanatory Statement.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

B Class Performance Right means a Performance Right with the terms and conditions set out in Annexure C.

Board means the current board of directors of the Company.

C Class Performance Right means a Performance Right with the terms and conditions set out in Annexure D.

Capital Raising means the capital raising the subject of Resolution 7.

CHESS means the ASX Clearing House Electronic Subregistry System operated by ASX Settlement and Transfer Corporation Pty Ltd ACN 008 504 532.

Companies Act means *Companies Act 1993* (NZ).

Company means King Solomon Mines Limited ARBN 122 404 666.

Consideration Securities means:

- (a) 50,000,000 fully paid ordinary shares (post-Consolidation) in the capital of the Company (**Acquisition Shares**); and
- (b) 16,666,667 A Class Performance Rights (post-Consolidation), 16,666,667 B Class Performance Rights (post-Consolidation) and 16,666,666 C Class Performance Rights (post-Consolidation) (together the **Performance Rights**).

Consolidation means the consolidation of the existing securities of the Company on a 50 to one basis (rounded up to the nearest whole number).

Constitution means the Company's constitution.

Conversion Shares means the shares in the Company issued upon conversion of the Xref Convertible Notes.

Convertible Note Deeds means the deeds entered into between Xref and the Convertible Noteholders in respect of the issue of the Xref Convertible Notes.

Convertible Noteholders means the holders of the Xref Convertible Notes.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

EDST means Eastern Daylight Saving Time as observed in Sydney, New South Wales.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Independent Adviser means RSM Financial Services Australia Corporate Pty Ltd.

Independent Adviser's Report means the report by the Independent Adviser which is contained in Annexure G.

KSO means the Company.

Notice or **Notice of Extraordinary General Meeting** or **Notice of General Meeting** means this notice of general meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a fully paid ordinary share in the capital of the Company.

Performance Right means a right to be issued for no consideration a fully paid ordinary share in the capital of the Company upon the satisfaction of specified performance conditions.

Proposed Transaction means:

- (a) the Xref Acquisition;
- (b) the Capital Raising; and
- (c) the conversion of the Xref Convertible Notes as described in Resolutions 16 and 17.

Prospectus means the prospectus to be issued by the Company in relation to the Capital Raising.

Proxy Form means the proxy form accompanying the Notice.

Share Purchase Agreement means the Share Purchase Agreement dated on or about 20 October 2015 between the Company and the Xref Vendors relating to the purchase by the Company of all of the issued capital of Xref, as novated and amended.

Squirrel means Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust.

Takeovers Code means the Takeovers Code in the schedule of the Takeovers Code Approval Order 2000 (NZ).

Taylor Collison means Taylor Collison Limited ACN 008 172 450.

West Riding means West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust.

Xref means Xref Pty Ltd ACN 147 613 938.

Xref Acquisition means the acquisition by the Company of all of the issued capital of Xref pursuant to the Share Purchase Agreement.

Xref Convertible Notes means the convertible notes having a face value of \$550,000 issued by Xref to the Convertible Noteholders in accordance with and subject to the terms and conditions set out in the Convertible Note Deeds.

Xref Vendors means the registered holders of Xref shares from time to time and/or their assignees.

ANNEXURE A

PRO FORMA BALANCE SHEET

	Deemed subsidiary King Solomon Mines Ltd Audited as at 31 March 2015 AU\$	Deemed parent Xref Pty Ltd Unaudited As at 31 March 2015 AU\$	Consolidated Group Merged Unaudited Minimum Subscription AU\$	Consolidated Group Merged Unaudited Maximum Subscription AU\$
CURRENT ASSETS				
Cash and cash equivalents	922,661	30,823	4,503,484	5,503,484
Trade and other receivables	214,691	50,998	265,689	265,689
Other current assets	1,746	-	1,746	1,746
TOTAL CURRENT ASSETS	1,139,098	81,821	4,770,919	5,770,919
NON-CURRENT ASSETS				
Plant and equipment	82,050	15,090	97,140	97,140
Exploration and evaluation assets	446,173	-	446,173	446,173
TOTAL NON-CURRENT ASSETS	528,223	15,090	543,313	543,313
TOTAL ASSETS	1,667,321	96,911	5,314,232	6,314,232
CURRENT LIABILITIES				
Trade and other payables	338,314	110,256	1,041,075	1,106,075
TOTAL CURRENT LIABILITIES	338,314	110,256	1,041,075	1,106,075
TOTAL LIABILITIES	338,314	110,256	1,041,075	1,106,075
NET ASSETS/(LIABILITIES)	1,329,007	(13,345)	4,273,157	5,208,157
EQUITY				
Issued capital	18,733,002	104	9,951,534	10,886,534
Reserves	845,986	-	1,044,723	1,069,693
Accumulated losses	(18,249,981)	(13,449)	(6,723,100)	(6,748,070)
TOTAL EQUITY	1,329,007	(13,345)	4,273,157	5,208,157

Pro Forma Adjustments – King Solomon Mines Ltd

The unaudited adjusted Pro-Forma King Solomon Mines Ltd ('King Solomon') Balance Sheet has been prepared on the basis that the combination had taken place on 31 March 2015 and has been adjusted for the following events:

1. *The acquisition of Xref Pty Ltd*– As detailed in the Notice of Meeting, King Solomon Mines as consideration for the acquisition of Xref Pty Ltd ('Xref') is to issue 50,000,000 fully paid ordinary shares (having a notional value of AU\$0.20 per share post consolidation), 16,666,667 Class A Performance Rights, 16,666,667 Class B Performance Rights and 16,666,666 Class C Performance Rights. All shares to be issued are quoted post consolidation, following the anticipated consolidation of the Company's capital on a 1 for 50 basis.
2. *Convertible note issue*– On 19 August 2015, Xref issued a total of AU\$550,000 unsecured convertible notes. The instrument carries a 1% per month coupon payment and is convertible into ordinary shares in King Solomon at a 20% discount to the issue price under the Company's prospectus. It has been assumed for the purposes of the pro forma that a total of 9 months' interest will be incurred prior to completion.
3. *Reverse acquisition of King Solomon Mines Ltd* - In accordance with Australian Accounting standards, the business combination contemplated in the pro forma financial statements is referred to as a reverse acquisition. Under these rules, for accounting purposes Xref is deemed to have acquired King Solomon and at the date of acquisition the assets and liabilities of Xref are recorded at book value and the assets and liabilities of King Solomon (excluding the investment in Xref) are recorded at fair value. The excess of the consideration deemed to have been paid by Xref to acquire King Solomon (approximately AU\$5.35 Million) over the fair value of the assets of King Solomon has been treated as a transaction cost and expensed in the pro-forma financial statements
4. *Shares issued under the Prospectus* – As part of King Solomon's re-compliance with Chapters 1 and 2 of the ASX Listing rules, the Company is seeking shareholder approval to conduct a capital raising by offering under a Prospectus 15,000,000 Shares at a price of AU\$0.20 per share to raise AU\$3,000,000, with an option to issue a further 5,000,000 Shares (or AU\$1,000,000) by way of oversubscriptions.
5. *Issue of options to Directors and the Company's broker Taylor Collison Ltd* – Based on the maximum subscription contemplated, a total of 2,808,909 unlisted options are to be issued to the Company's brokers, Taylor Collison Ltd, in relation to the provision of corporate services (2,708,909 are to be issued if the minimum subsection is achieved). In addition, a total of 800,000 options are to be issued to the existing Non-Executive Directors of the Company (Messrs Simon O'Loughlin, Stephen McPhail and Simon Taylor) as an incentive. Finally, a total of 900,000 options are to be issued to the Company's incoming Director Tim Mahony.
6. *Transaction costs* – In relation to the raising of the maximum subscription of AU \$4,000,000, it has been assumed that the cost involved in the preparation and implementation of the Prospectus and the placement fee payable will be AU \$392,505 (at the minimum subscription of \$3,000,000, these costs total \$327,505). This amount has been offset against the share capital figure. All remaining costs in relation to the acquisition of Xref have been included as an expense and have been recorded in the pro-forma group balance sheet in accumulated losses.

ANNEXURE B

A CLASS PERFORMANCE RIGHTS

(Terms and Conditions of A Class Performance Rights)

Part 1 – General Terms

The terms and conditions of the A Class Performance Rights are set out below.

(Shares) Each A Class Performance Right is a contractual right to receive a share in the capital of the Company, subject to the occurrence of a conversion event detailed in Part 2.

(General Meeting) An A Class Performance Right confers on the holder of it (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of the Company.

(No Voting Rights) An A Class Performance Right does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

(No Dividend Rights) An A Class Performance Right does not entitle the Holder to any dividends (cumulative, preferential or otherwise).

(No Rights on Winding Up) An A Class Performance Right does not confer on the Holder any right to participate in the surplus profits or assets of the Company upon winding up of the Company.

(Not Transferable) An A Class Performance Right is not transferable.

(No Return of Capital) An A Class Performance Right does not confer on the Holder any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(Reorganisation of Capital) If at any time the issued capital of the Company is reconstructed, an A Class Performance Right may be treated in accordance with the ASX Listing Rules at the time of reorganisation.

(Participation in New Offers and Issues of Shares) An A Class Performance Right does not confer on the Holder any right to participate in new offers and issues of securities to holders of ordinary shares in the Company (**Company Shares**) including bonus issues and entitlement issues unless and until the A Class Performance Right is converted into a Company Share.

(Application to ASX) An A Class Performance Right will not be quoted on ASX. However, upon conversion of an A Class Performance Right into a Company Share, the Company must within seven days after the conversion, apply for the official quotation of the Company shares arising from the conversion on ASX.

(No Other Rights) An A Class Performance Right gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(Conversion Procedure) Upon conversion of an A Class Performance Right, the Company will issue each Holder with a new holding statement for the relevant number of Company Shares.

(Ranking of Company Shares) The Company Shares into which an A Class Performance Right will convert will rank pari passu in all respects with existing Company Shares.

Part 2 – Conversion of the A Class Performance Rights

On the first to occur of any of the events listed in the first column of the table below (**Conversion Event**), each A Class Performance Right will automatically convert into the number of Company Shares set out opposite that Conversion Event in the second column of the table below:

Conversion Event	Number of Company Shares
Upon the Group, during any six month reporting period of the Company that ends on or prior to the Expiry Date, achieving Sales Revenue of AU\$2,500,000 or more.	1 Company Share
The occurrence of a Change of Control Event	1 Company Share, subject to clause 2 below

1. For the purposes of this Part 2, the following words have the following meanings:
 - (a) **Change of Control Event** means either:
 - (i) a change of control of the Company within the meaning of section 50AA of the Corporations Act;
 - (ii) when a Court sanctions a compromise or arrangement for the purposes of or in connection with a scheme for the amalgamation of the Company with any other company or companies under Part 5.1 of the Corporations Act; or
 - (iii) when the Company passes a resolution for voluntary winding up or if an order is made for the compulsory winding up of the Company.
 - (b) **Expiry Date** means the day that is 30 months after the date of issue of the A Class Performance Rights.
 - (c) **Group** means the Company and its subsidiaries (as that term is defined in the Corporations Act).
 - (d) **Sales Revenue** means the Group's consolidated sales revenue as set out in the Company's audited annual accounts or auditor reviewed half-yearly accounts.
2. The maximum aggregate number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert into Company Shares on the occurrence of a Change of Control Event must not exceed the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event. Where on the occurrence of a Change of Control Event, the conversion of all A Class Performance Rights, B Class Performance Rights and C Class Performance Rights would contravene this clause 2, the number of A

Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert in aggregate will be the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event, allocated amongst the holders of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights in proportion to the number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights held. Any A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that are not converted will continue to be held by their holders on the same terms and conditions, but as if the Change of Control Event had not occurred.

3. Where the application of any provision of these terms results in a fraction of a Company Share being issued for each A Class Performance Right, the number of Company Shares to be issued to a Holder on conversion of all A Class Performance Rights, all B Class Performance Rights and all C Class Performance Rights held by that Holder will first be aggregated (including all fractions per Share) and the resultant number of Company Shares be rounded up to the nearest whole number
4. Where no Conversion Event occurs prior to 5.00 pm (New South Wales time) on the Expiry Date, each A Class Performance Right will automatically lapse and be forfeited for no consideration.
5. If the Company undertakes a bonus issue, share split, share consolidation, reorganisation or other transaction of a similar nature, the number of Company Shares to which the A Class Performance Rights convert on a Conversion Event will be adjusted to ensure a fair outcome based on the number of Company Shares which the Holder would have received if the A Class Performance Rights had been converted to Company Shares before the record date for the relevant activity.

ANNEXURE C

B CLASS PERFORMANCE RIGHTS

(Terms and Conditions of B Class Performance Rights)

Part 1 – General Terms

The terms and conditions of the B Class Performance Rights are set out below.

(Shares) Each B Class Performance Right is a contractual right to receive a share in the capital of the Company, subject to the occurrence of a conversion event detailed in Part 2.

(General Meeting) A B Class Performance Right confers on the holder of it (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of the Company.

(No Voting Rights) A B Class Performance Right does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

(No Dividend Rights) A B Class Performance Right does not entitle the Holder to any dividends (cumulative, preferential or otherwise).

(No Rights on Winding Up) A B Class Performance Right does not confer on the Holder any right to participate in the surplus profits or assets of the Company upon winding up of the Company.

(Not Transferable) A B Class Performance Right is not transferable.

(No Return of Capital) A B Class Performance Right does not confer on the Holder any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(Reorganisation of Capital) If at any time the issued capital of the Company is reconstructed, a B Class Performance Right may be treated in accordance with the ASX Listing Rules at the time of reorganisation.

(Participation in New Offers and Issues of Shares) A B Class Performance Right does not confer on the Holder any right to participate in new offers and issues of securities to holders of ordinary shares in the Company (**Company Shares**) including bonus issues and entitlement issues unless and until the B Class Performance Right is converted into a Company Share.

(Application to ASX) A B Class Performance Right will not be quoted on ASX. However, upon conversion of a B Class Performance Right into a Company Share, the Company must within seven days after the conversion, apply for the official quotation of the Company shares arising from the conversion on ASX.

(No Other Rights) A B Class Performance Right gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(Conversion Procedure) Upon conversion of a B Class Performance Right, the Company will issue each Holder with a new holding statement for the relevant number of Company Shares.

(Ranking of Company Shares) The Company Shares into which a B Class Performance Right will convert will rank pari passu in all respects with existing Company Shares.

Part 2 – Conversion of the B Class Performance Rights

On the first to occur of any of the events listed in the first column of the table below (**Conversion Event**), each B Class Performance Right will automatically convert into the number of Company Shares set out opposite that Conversion Event in the second column of the table below:

Conversion Event	Number of Company Shares
Upon the Company achieving a 20-day Volume Weighted Average Market Price of the Company Shares equal to or greater than 150% above the price at which Company Shares are issued under the Company's re-compliance Prospectus.	1 Company Share
The occurrence of a Change of Control Event	1 Company Share, subject to clause 2 below

1. For the purposes of this Part 2, the following words have the following meanings:
 - (a) **ASX market** means the market for trading in securities operated in Australia by ASX.
 - (b) **Change of Control Event** means either:
 - (i) a change of control of the Company within the meaning of section 50AA of the Corporations Act;
 - (ii) when a Court sanctions a compromise or arrangement for the purposes of or in connection with a scheme for the amalgamation of the Company with any other company or companies under Part 5.1 of the Corporations Act; or
 - (iii) when the Company passes a resolution for voluntary winding up or if an order is made for the compulsory winding up of the Company.
 - (c) **Volume Weighted Average Market Price** means in relation to the Company Shares for a particular period, the volume weighted average price of trading in the Company Shares on the ASX market over that period, excluding block trades, large portfolio trades, permitted trades during the pre-trading hours period, permitted trades during the post-trading hours period, out of hours trades and exchange traded option exercises.

2. The maximum aggregate number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert into Company Shares on the occurrence of a Change of Control Event must not exceed the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event. Where on the occurrence of a Change of Control Event, the conversion of all A Class Performance Rights, B Class Performance Rights and C Class Performance Rights would contravene this clause 2, the number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert in aggregate will be the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event, allocated amongst the holders of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights in proportion to the number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights held. Any A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that are not converted will continue to be held by their holders on the same terms and conditions, but as if the Change of Control Event had not occurred.
3. Where the application of any provision of these terms results in a fraction of a Company Share being issued for each B Class Performance Right, the number of Company Shares to be issued to a Holder on conversion of all A Class Performance Rights, all B Class Performance Rights and all C Class Performance Rights held by that Holder will first be aggregated (including all fractions per Share) and the resultant number of Company Shares be rounded up to the nearest whole number
4. Where no Conversion Event occurs prior to 5.00 pm (New South Wales time) on the day that is two years after the date of issue of the B Class Performance Rights, each B Class Performance Right will automatically lapse and be forfeited for no consideration.
5. If the Company undertakes a bonus issue, share split, share consolidation, reorganisation or other transaction of a similar nature, the number of Company Shares to which the B Class Performance Rights convert on a Conversion Event will be adjusted to ensure a fair outcome based on the number of Company Shares which the Holder would have received if the B Class Performance Rights had been converted to Company Shares before the record date for the relevant activity.

ANNEXURE D

C CLASS PERFORMANCE RIGHTS

(Terms and Conditions of C Class Performance Rights)

Part 1 – General Terms

The terms and conditions of the C Class Performance Rights are set out below.

(Shares) Each C Class Performance Right is a contractual right to receive a share in the capital of the Company, subject to the occurrence of a conversion event.

(General Meeting) A C Class Performance Right confers on the holder of it (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of the Company.

(No Voting Rights) A C Class Performance Right does not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.

(No Dividend Rights) A C Class Performance Right does not entitle the Holder to any dividends (cumulative, preferential or otherwise).

(No Rights on Winding Up) A C Class Performance Right does not confer on the Holder any right to participate in the surplus profits or assets of the Company upon winding up of the Company.

(Not Transferable) A C Class Performance Right is not transferable.

(No Return of Capital) A C Class Performance Right does not confer on the Holder any right to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(Reorganisation of Capital) If at any time the issued capital of the Company is reconstructed, a C Class Performance Right may be treated in accordance with the ASX Listing Rules at the time of reorganisation.

(Participation in New Offers and Issues of Shares) A C Class Performance Right does not confer on the Holder any right to participate in new offers and issues of securities to holders of ordinary shares in the Company (**Company Shares**) including bonus issues and entitlement issues unless and until the C Class Performance Right is converted into a Company Share.

(Application to ASX) A C Class Performance Right will not be quoted on ASX. However, upon conversion of a C Class Performance Right into a Company Share, the Company must within seven days after the conversion, apply for the official quotation of the Company shares arising from the conversion on ASX.

(No Other Rights) A C Class Performance Right gives the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

(Conversion Procedure) Upon conversion of a C Class Performance Right, the Company will issue each Holder with a new holding statement for the relevant number of Company Shares.

(Ranking of Company Shares) The Company Shares into which a C Class Performance Right will convert will rank pari passu in all respects with existing Company Shares.

Part 2 – Conversion of the C Class Performance Rights

On the first to occur of any of the events listed in the first column of the table below **(Conversion Event)**, each C Class Performance Right will automatically convert into the number of Company Shares set out opposite that Conversion Event in the second column of the table below:

Conversion Event	Number of Company Shares
Upon the Group, during any six month reporting period of the Company that ends on or prior to the Expiry Date, achieving EBITDA of AU\$2,500,000 or more.	1 Company Share
The occurrence of a Change of Control Event	1 Company Share, subject to clause 2 below

1. For the purposes of this Part 2, the following words have the following meanings:
 - (a) **Change of Control Event** means either:
 - (i) a change of control of the Company within the meaning of section 50AA of the Corporations Act;
 - (ii) when a Court sanctions a compromise or arrangement for the purposes of or in connection with a scheme for the amalgamation of the Company with any other company or companies under Part 5.1 of the Corporations Act; or
 - (iii) when the Company passes a resolution for voluntary winding up or if an order is made for the compulsory winding up of the Company.
 - (b) **EBITDA** means the Group’s consolidated earnings before interest and taxes and before depreciation and amortisation, normalised (by an independent company auditor, acting reasonably) to exclude non-recurring transactions and other related costs, contributions for any business or entity acquired by the Company and the impact of fresh capital (as set out in the Company’s audited annual accounts or auditor reviewed half-yearly accounts).
 - (c) **Expiry Date** means the day that is five years after the date of issue of the C Class Performance Rights.
 - (d) **Group** means the Company and its subsidiaries (as that term is defined in the Corporations Act).

2. The maximum aggregate number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert into Company Shares on the occurrence of a Change of Control Event must not exceed the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event. Where on the occurrence of a Change of Control Event, the conversion of all A Class Performance Rights, B Class Performance Rights and C Class Performance Rights would contravene this clause 2, the number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that convert in aggregate will be the number equal to 10% of the Company Shares on issue immediately before the occurrence of the Change of Control Event, allocated amongst the holders of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights in proportion to the number of A Class Performance Rights, B Class Performance Rights and C Class Performance Rights held. Any A Class Performance Rights, B Class Performance Rights and C Class Performance Rights that are not converted will continue to be held by their holders on the same terms and conditions, but as if the Change of Control Event had not occurred.
3. Where the application of any provision of these terms results in a fraction of a Company Share being issued for each C Class Performance Right, the number of Company Shares to be issued to a Holder on conversion of all A Class Performance Rights, all B Class Performance Rights and all C Class Performance Rights held by that Holder will first be aggregated (including all fractions per Share) and the resultant number of Company Shares be rounded up to the nearest whole number
4. Where no Conversion Event occurs prior to 5.00 pm (New South Wales time) on the day that is five years after the date of issue of the C Class Performance Rights, each C Class Performance Right will automatically lapse and be forfeited for no consideration.
5. If the Company undertakes a bonus issue, share split, share consolidation, reorganisation or other transaction of a similar nature, the number of Company Shares to which the C Class Performance Rights convert on a Conversion Event will be adjusted to ensure a fair outcome based on the number of Company Shares which the Holder would have received if the C Class Performance Rights had been converted to Company Shares before the record date for the relevant activity.

ANNEXURE E

TERMS AND CONDITIONS OF OPTIONS

1. Each option entitles the holder to one ordinary share in the Company.
2. Each of the options will be exercisable at \$0.23.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on the third anniversary of the date of issue (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the options;
 - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.
10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

A = the new exercise price of the option;

O = the old exercise price of the option;

E = the number of underlying ordinary shares into which one option is exercisable;

P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);

S = the subscription price for a security under the pro rata issue;

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and

N = the number of securities with rights or entitlements that must be held to receive a right to one new security.

11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.
12. The optionholder acknowledges that the options, and any shares issued upon exercise of the options, will be the subject of escrow restrictions in accordance with ASX listing rules which could be for:
 - (i) a period of 12 calendar months after the date of issue; or
 - (ii) such longer period imposed by ASX under its listing rules.

ANNEXURE F

TERMS AND CONDITIONS OF MAHONY OPTIONS

1. Each option entitles the holder to one ordinary share in the Company, and will vest as follows:
 - as to 300,000 options, upon Mr Mahony being appointed to the Board;
 - as to 300,000 options, upon the achievement of the Conversion Event under the terms of the A Class Performance Rights outlined in Annexure B; and
 - as to 300,000 options, upon the achievement of the Conversion Event under the terms of the B Class Performance Rights outlined in Annexure C.
2. Each of the options will be exercisable at \$0.23.
3. Each option is exercisable in whole or in part at any time during the period commencing on the date of issue and expiring on the third anniversary of the date of issue (**Exercise Period**). Options not exercised before the expiry of the Exercise Period will lapse.
4. Options are exercisable by notice in writing to the Board delivered to the registered office of the Company and payment of the exercise price per option in cleared funds.
5. The Company will not apply to ASX for official quotation of the options.
6. The Company will make application for official quotation on ASX of new shares allotted on exercise of the options. Those shares will participate equally in all respects with existing issued ordinary shares, and in particular new shares allotted on exercise of the options will qualify for dividends declared after the date of their allotment.
7. Options can only be transferred with Board approval, except that if at any time before expiry of the Exercise Period the optionholder dies, the legal personal representative of the deceased optionholder may:
 - (i) elect to be registered as the new holder of the options;
 - (ii) whether or not he becomes so registered, exercise those options in accordance with the terms and conditions on which they were granted; and
 - (iii) if the deceased has already exercised options, pay the exercise price in respect of those options.
8. An optionholder may only participate in new issues of securities to holders of ordinary shares in the Company if the option has been exercised and shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give prior notice to the optionholder of any new issue before the record date for determining entitlements to the issue in accordance with the ASX Listing Rules.
9. If there is a bonus issue to the holders of ordinary shares in the capital of the Company, the number of ordinary shares over which the option is exercisable will be increased by the number of ordinary shares which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

10. If the Company makes a rights issue (other than a bonus issue), the exercise price of options on issue will be reduced according to the following formula:

$$A = O - \frac{E [P - (S + D)]}{(N + 1)}$$

Where:

- A = the new exercise price of the option;
O = the old exercise price of the option;
E = the number of underlying ordinary shares into which one option is exercisable;
P = the average closing sale price per ordinary share (weighted by reference to volume) recorded on the stock market of ASX during the five trading days immediately preceding the ex rights date or ex entitlements date (excluding special crossings and overnight sales and exchange traded option exercises);
S = the subscription price for a security under the pro rata issue;
D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro rata issue); and
N = the number of securities with rights or entitlements that must be held to receive a right to one new security.
11. If, during the currency of the options the issued capital of the Company is reorganised, those options will be reorganised to the extent necessary to comply with ASX Listing Rules.
12. The optionholder acknowledges that the options, and any shares issued upon exercise of the options, will be the subject of escrow restrictions in accordance with ASX listing rules which could be for:
- (i) a period of 12 calendar months after the date of issue; or
 - (ii) such longer period imposed by ASX under its listing rules.

ANNEXURE G
INDEPENDENT ADVISER'S REPORT



KING SOLOMON MINES LIMITED

Financial Services Guide and Independent Adviser's Report

29 October 2015

STATEMENT OF INDEPENDENCE

RSM Financial Services Australia Pty Limited confirms that it:

- a) Has no conflict of interest that could affect its ability to provide an unbiased report; and
- b) Has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

RSM Financial Services Australia Pty Limited has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.



FINANCIAL SERVICES GUIDE

RSM Financial Services Australia Pty Ltd ABN 22 009 176 354 AFSL 238 282 (“RSM Financial Services Australia Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to provide general financial product advice in the form of an independent advisers report to be provided to you.

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of our services and to ensure that we comply with our obligations as a financial services licensee.

This FSG includes information about:

- who we are and how we can be contacted;
- the financial services that we will be providing to you under our Australian Financial Services Licence, Licence No 238282;
- remuneration that we and/or our staff and any associates receive in connection with the financial services that we will be providing to you;
- any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

Financial services we will provide

For the purpose of our report and this FSG, the financial service which we will be providing to you is the provision of general financial product advice in relation to securities.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

General Financial Product Advice


In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that we may receive

We charge various fees for providing various different financial services. However in respect of the financial services being provided to you by us, fees will be agreed with, and paid by, the person who engages us to provide the report and such fees will be agreed on either a fixed fee or time cost basis.. You will not pay to us any fees for our services; the Company will pay our fees. These fees are disclosed in the Report.

Of the fee we receive RSM Financial Services Australia Pty Ltd will retain 5% for the provision of licensing services and transfer 95% to RSM Australia. For example if RSM Financial Services Australia Pty Ltd were to be paid \$50,000, we would retain \$2,500 and pay \$47,500 to RSM Australia.



Except for the fees referred to above, neither RSM Financial Services Australia Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

Remuneration or other benefits received by our employees

All of our employees who provide or provided services in relation to the financial services being provided to you receive a salary. However, other employees of RSM Financial Services Australia Pty Ltd may be remunerated in other ways, such as salaries with the entitlement to earn a bonus, depending on meeting revenue, compliance and marketing targets throughout any given financial year. Such other remuneration structures are not relevant to the financial services being provided to you.

Referrals

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

Associations and relationships

RSM Financial Services Australia Pty Ltd is wholly owned by the partners of RSM Australia, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Australia Partners.

From time to time, RSM Financial Services Australia Pty Ltd, RSM Australia Partners, RSM Australia and / or RSM related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

Complaints Resolution

Internal complaints resolution process

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints should be directed to The Complaints Officer, RSM Financial Services Australia Pty Ltd, PO Box R1253, Perth, WA, 6844, +61 (0) 8 9261 9100

When we receive a complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

Referral to External Dispute Resolution Scheme

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ("FOS"). FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website or by contacting them directly via the details set out below.

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001
Toll Free: 1300 78 08 08
Facsimile: (03) 9613 6399
Email: info@fos.org.au

Contact Details

You may contact us using the details set out at the top of our letterhead on page 1 of this report

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29 October 2015

The Independent Directors
King Solomon Mines Limited
242 Marine Parade
OTAKI 5512
NEW ZEALAND

Dear Independent Directors

INDEPENDENT ADVISER'S REPORT (IAR)

1. Overview

1.1 Introduction

King Solomon Mines Limited (KSO or the Company) is a New Zealand registered company which is listed on the Main Board of the Australian Securities Exchange operated by the Australian Securities Exchange Limited (ASX).

KSO was incorporated in New Zealand on 28 January 2003. It was established to take over the mineral exploration interests held by three individuals (Fu La, Bruce Bell and Stephen McPhail) in Inner Mongolia, China.

As at 10 October 2015, the Company had market capitalisation of approximately \$5.0 million. The audited book value of equity was \$1.3 million as at 31 March 2015, and the management accounts as at 31 August 2015 recorded net assets of \$1.1 million.

As at the date of this report, KSO has 834,929,348 fully paid ordinary voting shares (Shares) on issue. The largest shareholder was Calama Holdings Pty Limited with 5.05% of the capital and the top 10 shareholders hold approximately 31% of the issued shares. In addition, 1,600,000 options (Options) over unissued ordinary shares remain outstanding.

In the 2015 Annual Report to shareholders, the KSO Directors (Directors) stated that due to difficult conditions in the mining industry, the company had wound down all exploration projects and was seeking to divest its remaining mining interests. The Directors have subsequently sought a suitable acquisition target / transaction for KSO to present to shareholders.

On 3 August 2015, the Company announced that it had entered into a conditional binding Heads of Agreement (the HoA) to acquire Australian technology company, Xref Pty Limited (Xref).

Together with the proposed acquisition of Xref, the KSO directors have also proposed that KSO will undertake a consolidation of Shares and Options whereby every 50 Shares will consolidate to one Share and every 50 Options will consolidate to one Option with the exercise price amended in inverse proportion to that ratio. The Company will also seek to undertake a capital raising to raise at least \$3,000,000 (the proposed capital raising) and convert all convertible notes outstanding (Notes) to Shares.

Under the terms of the HoA, the shareholders of Xref (the Xref vendors) will be allotted 50,000,000 (post consolidation) Shares in KSO, plus a further 50,000,000 performance rights which convert to Shares upon the achievement of certain performance milestones (the proposed transaction).

THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING

RSM Financial Services Australia Pty Ltd is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

The proposed transaction is conditional upon, inter alia, KSO shareholder approval and the Company meeting its capital raising targets. In the event the proposed transaction proceeds and assuming the minimum capital raising, the Xref vendors will become the largest shareholders in KSO holding around 59% of the Shares on issue on an undiluted basis (56% assuming the maximum proposed capital raising) and up to 74% should all performance rights convert to fully paid ordinary shares (71% assuming the maximum proposed capital raising). KSO is a Code company under the New Zealand Takeovers Code (the Code) and has engaged RSM Financial Services Australia Pty Limited (RSMFSA) to act as Independent Adviser in respect KSO's obligations under the Code.

This Independent Adviser Report (IAR) has been prepared by RSMFSA for inclusion in the Notice of Meeting (NoM) and other documentation to be sent to shareholders in relation to the proposed transaction.

Unless otherwise noted, all amounts in this IAR are in Australian dollars.

1.2 Key terms of the proposed transaction

KSO has entered into the HoA with the Xref vendors whereby the Xref vendors will be allocated up to 100,000,000 new Shares in KSO as consideration for the acquisition of the Xref business (the proposed transaction). The consideration will be split between Shares & performance rights and shared between the Xref shareholders as follows:

- Squirrel Holdings Australia Pty Limited (Squirrel) 24,038,462 post consolidation Shares and up to 25,000,000 performance rights;
- West Riding Investments Pty Limited (West Riding) 24,038,462 post consolidation Shares and up to 25,000,000 performance rights; and
- David Haines 1,923,076 post consolidation Shares

Should the proposed transaction be approved, KSO will also issue post consolidation Options to the following:

- Taylor Collison Limited 2,808,909 Options;
- Simon O'Loughlin 300,000 Options;
- Stephen McPhail 250,000 Options;
- Simon Taylor 250,000 Options; and
- Timothy Mahoney 900,000 Options.

Under the proposed capital raising, KSO will issue 15,000,000 Shares (at an issue price of \$0.20 per share) to raise \$3,000,000 and may issue up to an additional 5,000,000 Shares to raise up to an additional \$1,000,000 by way of oversubscriptions. Approval is being sought for the following individuals to participate in the proposed capital raising:

- Simon O'Loughlin 250,000 Shares;
- Simon Taylor 150,000 Shares; and
- Timothy Mahoney 1,000,000 Shares.

KSO will also issue post consolidation Shares to the Note holders (at a 20% discount to the price at which Shares are to be issued in the proposed capital raising) as consideration for the conversion of their Notes. For the purposes of our analysis in this IAR, we have assumed the Note holders will have accrued three months interest on their notes (at 1% per month). Accordingly the number of Shares issued will be based on the face value of the Note plus three months interest. On this basis the number of Shares to be issued will be 3,540,625 and shareholders' approval is being sought for the issue of Shares upon the conversion of certain Notes held by:

- David Haines 160,938 Shares; and
- Timothy Mahoney 643,750 Shares.

Further details on the proposed transaction, the capital raising and any related transactions is at Sections 1.5 and 2.3 of this IAR and included in the NoM and Explanatory Statement to which this IAR is appended. We recommend shareholders read the documentation provided by the KSO directors in full prior to making any decision in relation to any or all of the Resolutions.

1.3 Takeovers code requirement

KSO is a Code company for the purposes of the Code. Rule 6 of the Code states:

- 6(1) *Except as provided in Rule 7, a person who holds or controls:*
 - a) *no voting rights, or less than 20% of the voting rights, in a code company may not become the holder of an increased percentage of the voting rights in the code company unless, after that event, that person and that persons associates hold or control in total not more than 20% of the voting rights in the code company; and*
 - b) *20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.*

There are a number of exceptions to Rule 6 of the Code. These are set out in Rule 7 of the Code. Clause 7(d) of the Code states:

- 7. *A person may become the holder or controller of an increased percentage of the voting rights in a code company:*
 - d) *By an allotment to the person of voting securities in the code company...if the allotment has been approved by an ordinary resolution of the code company in accordance with this code.*

In the event that the proposed transaction proceeds, the Xref vendors (individually and collectively) will become the holders of more than 20% of KSO.

KSO has therefore engaged RSMFSA to prepare this IAR in accordance with Rule 18 of the Code and the IAR provides an evaluation of the merits of the proposed transaction.

This IAR is required to be included in the NoM pursuant to Rule 16(h) and has been appended to the NoM and Explanatory Statement.

1.4 Definition of associates

Rule 4 of the Code sets out the meaning of associates:

4. Meaning of associate

- (1) *For the purposes of this code, a person is an associate of another person if -*
- a) *the persons are acting jointly or in concert; or*
 - b) *the first person acts, or is accustomed to act, in accordance with the wishes of the other person; or*
 - c) *the persons are related companies; or*
 - d) *the persons have a business relationship, personal relationship, or an ownership relationship such that they should, under the circumstances, be regarded as associates; or*
 - e) *the first person is an associate of a third person who is an associate of the other person (in both cases under any of paragraphs (a) to (d)) and the nature of the relationships between the first person, the third person, and the other person (or any of them) is such that, under the circumstances, the first person should be regarded as an associate of the other person.*

The fundamental rule, Rule 6 of the Code, prevents a person from increasing their shareholding to above 20% unless they use one of the exceptions set out in Rule 7 of the Code.

It is our understanding, based on the disclosures made to us by KSO and its adviser, that none of the existing shareholders of KSO are associates of Xref within the meaning of the Code.

1.5 Shareholders meeting

KSO is holding an Extraordinary General Meeting (EGM) of shareholders in Sydney on 26 November 2015 to seek shareholder approval for Resolutions 1 to 18 as set out in the NoM in relation to:

Resolution 1 – Consolidation of shares and options

Approval is sought for the issued capital of the Company to be consolidated on the basis that:

- a) every 50 fully paid ordinary shares be consolidated into one fully paid ordinary share; and
- b) every 50 options be consolidated into one option with the exercise price amended in inverse proportion to that ratio,

and where this consolidation ratio would otherwise result in a fractional entitlement to a Share or Option (as the case may be), that fractional entitlement be rounded up to the nearest whole Share or Option (as the case may be), as set out in the Explanatory Statement.

Resolution 2 – Change to nature and scale of activities

Subject to the passing of Resolutions 3 to 18 (inclusive), for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is sought for the Company to make a significant change to the nature and scale of its activities as set out in the Explanatory Statement.'

Resolution 3 – Entering into a major transaction

Subject to the passing of Resolutions 2 and 4 to 18 (inclusive), for the purpose of section 129 of the Companies Act 1993 (NZ) and for all other purposes, approval is sought for the Company to enter into a major transaction as set out in the Explanatory Statement.

Resolution 4 – Issue of consideration securities to David Haines

Subject to the passing of Resolutions 2, 3 and 5 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given to the issue by the Company of up to 2,093,389 fully paid ordinary shares (post-Consolidation), to Mr David Haines (or his nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 5 – Issue of consideration securities to Squirrel Holdings Australia Pty Limited and increase in relevant interest

Subject to the passing of resolutions 2 to 4 (inclusive) and 6 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of section 7(d) of the Takeovers Code, ASX Listing Rule 7.1 and for all other purposes, approval is sought for the acquisition by Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust of up to 24,038,462 fully paid ordinary shares (post-Consolidation), 8,333,333 A Class Performance Rights (post-Consolidation), 8,333,334 B Class Performance Rights (post-Consolidation) and 8,333,333 C Class Performance Rights (post-Consolidation) and for the issue of fully paid ordinary shares on conversion of the A Class Performance Rights, B Class Performance Rights and C Class Performance Rights on the terms and conditions set out in the Explanatory Statement.

Resolution 6 – Issue of consideration securities to West Riding Investments Pty Limited and increase in relevant interest

Subject to the passing of resolutions 2 to 5 (inclusive) and 6 to 18 (inclusive) and the Company obtaining the approval of ASX for reinstatement of its securities to quotation, for the purpose of section 7(d) of the Takeovers Code, ASX Listing Rule 7.1 and for all other purposes, approval is sought for the acquisition by West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust or its nominee of up to 24,038,462 fully paid ordinary shares (post-Consolidation), 8,333,334 A Class Performance Rights (post-

Consolidation), 8,333,333 B Class Performance Rights (post-Consolidation) and 8,333,333 C Class Performance Rights (post-Consolidation) and for the issue of fully paid ordinary shares on conversion of the A Class Performance Rights, B Class Performance Rights and C Class Performance Rights on the terms and conditions set out in the Explanatory Statement.

Resolution 7 – Capital raising

Subject to the passing of Resolutions 2 to 6 (inclusive) and 8 to 18 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is sought for the issue by the Company of 15,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise \$3,000,000 (minimum subscription) and up to an additional 5,000,000 fully paid ordinary shares (post-Consolidation) at a minimum issue price of \$0.20 per share to raise up to an additional \$1,000,000 by way of oversubscriptions (maximum subscription) on the terms and conditions set out in the Explanatory Statement.

Resolution 8 – Issue of shares to Simon O’Loughlin under prospectus

Subject to the passing of Resolutions 2 to 7 (inclusive) and 9 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought for the allotment and issue by the Company of 250,000 fully paid ordinary shares (post-Consolidation) to Mr Simon O’Loughlin (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.

Resolution 9 – Issue of shares to Simon Taylor under prospectus

Subject to the passing of Resolutions 2 to 8 (inclusive) and 10 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought for the allotment and issue by the Company of 150,000 fully paid ordinary shares (post-Consolidation) to Mr Simon Taylor (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.

Resolution 10 – Issue of shares to Timothy Mahony under prospectus

Subject to the passing of Resolutions 2 to 9 (inclusive) and 11 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given for the allotment and issue by the Company of 1,000,000 fully paid ordinary shares (post-Consolidation) to Mr Timothy Mahoney (or his nominee) under the offer set out in the Prospectus on the terms and conditions set out in the Explanatory Statement.

Resolution 11 – Issue of options to Taylor Collison limited

Subject to the passing of Resolutions 2 to 10 (inclusive) and 12 to 18 (inclusive), for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is sought to the issue by the Company of 2,808,909 Options (post-Consolidation) to Taylor Collison Limited (or its nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 12 – Issue of options to Simon O’Loughlin

Subject to the passing of Resolutions 2 to 11 (inclusive) and 13 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought for the issue by the Company of 300,000 Options (post-Consolidation) to Mr Simon O’Loughlin (or his nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 13 – Issue of options to Stephen McPhail

That, subject to the passing of Resolutions 2 to 12 (inclusive) and 14 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is given to the issue by the Company of 250,000 Options (post-Consolidation) to Mr Stephen McPhail (or his nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 14 – Issue of options to Simon Taylor

Subject to the passing of Resolutions 2 to 13 (inclusive) and 15 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought to the issue by the Company of 250,000 Options (post-Consolidation) to Mr Simon Taylor (or his nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 15 – Issue of options to Timothy Mahoney

Subject to the passing of Resolutions 2 to 14 (inclusive) and 16 to 18 (inclusive), for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought to the issue by the Company of 900,000 Options (post-Consolidation) to Mr Timothy Mahoney (or his nominee) on the terms and conditions set out in the Explanatory Statement.

Resolution 16 – Issue of shares to convertible noteholders

Subject to the passing of Resolutions 2 to 15 (inclusive), 17 and 18, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is sought for the allotment and issue by the Company of up to 3,065,625 fully paid ordinary shares (post-Consolidation) to Convertible Noteholders (excluding Convertible Noteholder referred to in Resolution 17) on the terms and conditions set out in the Explanatory Statement.

Resolution 17 – Issue of shares to Biatan Pty Ltd

Subject to the passing of Resolutions 2 to 16 (inclusive) and 18, for the purpose of ASX Listing Rule 10.11 and for all other purposes, approval is sought for the allotment and issue by the Company of up to 681,250 fully paid ordinary shares (post-Consolidation) to Biatan Pty Ltd in its capacity as the trustee of the Mahoney Family Trust as a Convertible Noteholder on the terms and conditions set out in the Explanatory Statement.

Resolution 18 – Change of name

Subject to the passing of Resolutions 2 to 17 (inclusive), approval is sought for the name of the Company to be changed to Xref Limited, and for all references to the Company's name in the Constitution of the Company to be replaced with Xref Limited.

1.7 Voting restrictions

A number of voting restrictions exist in relation to which shareholders are eligible to vote on certain restrictions as set out below.

Resolution 2

The Company will disregard any votes cast on Resolution 2 by a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if Resolution 2 is passed. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolution 4, 5, 6, 7, 11 and 16

The Company will disregard any votes cast on each of Resolutions 4, 5, 6, 7, 11 and 16 (respectively) by a person (and their associates) who may participate in the proposed issue and a person (and their associates) who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if each of Resolutions 4, 5, 6, 7, 11 and 16 (respectively) is passed. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolutions 8, 9, 10 and 17

The Company will disregard any votes cast on Resolutions 8, 9, 10 and 17 by a person (and their associates) who is to receive securities in relation to the Company. However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Resolutions 12, 13, 14 & 15

For the purposes of the ASX Listing Rules, the Company will disregard any votes cast on Resolutions 12, 13, 14 and 15 by a person (and their associates) who is to receive securities in relation to the Company.

However, the Company need not disregard a vote if:

- it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

1.8 Minority buyout rights

The proposed transaction represents a 'major transaction' for the purposes of Section 129 of the Companies Act. Section 129 of the Companies Act requires that Resolution 3 must be passed by a special resolution of shareholders present in person or proxy and able to vote at the meeting.

In the event that Resolution 3 is approved, Section 110 of the Companies Act gives those shareholders who vote against the Resolution that has been passed, certain rights to require the Company to purchase their shares.

Any shareholder who casts all votes attached to the shares registered in their name (and having the same beneficial owner) against the Resolution that has been passed is entitled to require the Company to purchase their KSO shares.

The right to have shares purchased must be exercised within 10 business days of the passing of the relevant Resolution by the dissenting shareholder by giving written notice to the Company. Further information on minority buy-out rights is provided at Annexure K of the NoM.

1.9 Purpose and issue of this report

The KSO Directors have engaged RSMFSA to prepare an IAR on the merits of the proposed transaction in accordance with Rule 18 of the Code.

RSMFSA was approved by the NZ Takeovers Panel on 30 October 2015 to prepare the IAR.

RSMFSA has issued this IAR to the Directors to assist shareholders of KSO to form their own opinion on whether to vote for or against the Resolutions in respect of the proposed transaction.

We note that each shareholder's circumstances and objectives are unique. Accordingly, it is not possible to report on the merits of voting for or against the Resolutions in relation to each individual shareholder. This IAR is therefore necessarily general in nature.

This Report is not to be used for any other purpose without our prior written consent.

2. Merits of the proposed transaction

2.1 Basis of evaluation

Rule 18 of the Code requires an evaluation of the merits of the allotment of Shares to the Xref shareholders under the proposed transaction. There is no legal definition of the term “merits” in New Zealand in either the Code or in any statute dealing with securities or commercial law. In the absence of an explicit definition of “merits”, guidance can be taken from:

- The Takeover Panel guidance note on the role of Independent Advisers dated March 2015;
- Definitions designed to address similar issues within New Zealand regulations which are relevant to the proposed transactions;
- the future prospects of KSO should the proposed transactions proceed or not proceed; and
- other opportunities for the KSO shareholders.; and
- The ordinary meaning of the term “merits”.

We are of the view that an assessment of the merits of the proposed transaction should focus on the following:

- Rationale for the proposed transaction;
- The terms of the proposed transaction;
- The value of KSO prior to and post the proposed transaction;
- Xref 's shareholders' maximum % holding of voting securities in KSO following completion of the proposed transaction and implications for control of KSO by Xref's shareholders;
- The potential impact on KSO's share price and liquidity;
- The intentions of Xref with respect to KSO and the future business activities it may engage in;
- Any change in the business risk of KSO as a result of the proposed transaction;
- Any alternatives to the proposed transaction; and
- The implications of the resolutions in respect of the proposed transaction not being approved.

Our opinion should be considered as a whole. Selecting portions of the evaluation without considering all the factors and analysis together could create a misleading view of the rationale underlying this opinion.

2.2 Rationale for the proposed transaction

Since the disposal of certain mining interests and the cessation of exploration activity, the Directors have advised that they have reviewed numerous potential investment opportunities. The Director's criteria for the review is that the opportunity must have the potential to add significant shareholder value.

Other than the Xref opportunity, none of the competing opportunities were ultimately deemed to be sufficiently attractive to proceed.

As at 31 August 2015, KSO's unaudited net asset position was around \$1.3 million. KSO has continued to operate on a limited budget with the support of its Directors and shareholders, however this situation is not considered by the Directors to be sustainable.

In the event the proposed transaction proceeds, it will facilitate the recapitalisation of KSO and provide the Company with a significant cash injection and the opportunity to develop the Xref business in Australia and internationally. In the Directors view, this will place KSO in a much stronger and more sustainable financial position and has the potential to add significant shareholder value.

A summary comparison of KSO's financial position as at 31 March 2015, compared against the pro forma financial position estimated by KSO following the completion of the proposed transaction, is presented below.

KSO Financial position A\$	31 Mar 2015 Audited	Pro forma Minimum Unaudited	Pro forma Maximum Unaudited
Current assets			
Cash and cash equivalents	922,661	4,503,484	5,503,484
Trade & other receivables	214,691	265,689	265,689
Other current assets	1,746	1,746	1,746
Total current assets	1,139,098	4,770,419	5,770,419
Non-current assets			
Plant and equipment	82,050	97,140	97,140
Exploration and evaluation assets	446,173	446,173	446,173
Total non-current assets	528,223	543,313	543,313
Total assets	1,667,321	5,314,232	6,314,232
Current liabilities			
Trade and other payables	338,314	1,041,075	1,106,075
Total current liabilities	338,314	1,041,075	1,106,075
Total liabilities	338,314	1,041,075	1,106,075
Net assets	1,329,007	4,273,175	5,208,157
Shareholders' funds			
Share capital	18,733,002	9,951,534	10,886,534
Reserves	845,986	1,044,723	1,069,693
Accumulated losses	(18,249,981)	(6,273,100)	(6,748,070)
Total shareholders' funds	1,329,007	4,273,157	5,208,157

Table 1: KSO pro forma balance sheet (Source: KSO, NoM Annexure A)

The pro-forma financial position clearly demonstrates the significant improvement in both the cash reserves and net assets of the Company as a result of the issue of new Shares in the proposed capital raising (minimum and maximum) which is a key condition of the proposed transaction.

The Directors have issued a statement to shareholders recommending approval of the proposed transaction.

2.3 Terms of the proposed transaction

Key terms

The key terms of the proposed transaction are set out in Resolutions 1 to 18 in the NoM and are summarised below.

KSO has entered into the HoA with the Xref vendors whereby the Xref vendors will be allocated up to 100,000,000 new post consolidation Shares in KSO as consideration for the acquisition of the Xref business. The consideration will be split between Shares & performance rights and shared between the Xref shareholders as follows:

- Squirrel 24,038,462 Shares and 25,000,000 performance rights;
- West Riding 24,038,462 Shares and 25,000,000 performance rights; and

- David Haines 1,923,076 Shares.

The performance rights convert to Shares upon the achievement of certain milestones, the terms of which are set out in Annexures B, C and D in the NoM.

Should the proposed transaction be approved, KSO will also issue post consolidation Options to the following:

- Taylor Collison Limited 2,808,909 Options;
- Simon O'Loughlin 300,000 Options;
- Stephen McPhail 250,000 Options;
- Simon Taylor 250,000 Options; and
- Timothy Mahoney 900,000 Options.

The terms and conditions of the Options are set out in Annexures E and F of the NoM.

Under the proposed capital Raising, KSO will issue 15,000,000 Shares (at an issue price of \$0.20 per share) to raise \$3,000,000 and will issue up to an additional 5,000,000 Shares to raise up to an additional \$1,000,000 by way of oversubscriptions. Approval is being sought for the following individuals to participate in the proposed capital raising:

- Simon O'Loughlin 250,000 Shares;
- Simon Taylor 150,000 Shares; and
- Timothy Mahoney 1,000,000 Shares

KSO will also issue post consolidation Shares to the convertible noteholders (at a 20% discount to the price at which Shares are to be issued in the proposed capital raising) as consideration for the conversion of their notes. For the purposes of our analysis in this IAR, we have assumed the noteholders will have accrued three months interest on their notes (at 1% per month). Accordingly the number of Shares issued will be based on the face value of the note plus three months interest. On this basis the number of Shares to be issued will be 3,540,625 and shareholders' approval is being sought for the issue Shares upon the conversion of certain notes held by:

- David Haines 160,938 Shares; and
- Timothy Mahoney 643,750 Shares.

The proposed transaction is conditional upon a number of terms including:

- Completion of financial and legal due diligence to the full satisfaction of KSO with 45 days of execution of the HoA (now completed);
- Xref completing an interim capital raising to raise gross proceeds of up to \$550,000 (now completed);
- KSO shareholder approval of all the Resolutions in the NoM;
- KSO completing a capital raising of at least \$3.0 million; and
- ASX confirming recompliance with Chapters 1 and 2 of the ASX listing rules and allowing recommencement of trading in the company's shares.

Further details on the proposed transaction, the capital raising and any related transactions are included in the NoM and Explanatory Statement to which this IAR is appended. We recommend shareholders read the documentation provided by the KSO directors in full prior to making any decision in relation to any or all of the Resolutions.

2.4 Value of KSO shares pre and post the proposed transaction

We have assessed the value of KSO prior to the proposed transaction by reference to:

- The price at which KSO shares have recently traded prior to announcement of the proposed transaction; and
- The value of KSO's net assets (including our assessed value of KSO's listing on the ASX).

Based on our analysis, as set out in Section 5 of this IAR, we have assessed the value of all of the issued capital of KSO to be in the range of \$1.13 million to \$1.16 million. Accordingly, we assess the value of a pre proposed transaction KSO share to be in the range to be in the range \$0.067 to \$0.070 per Share.

Our assessment of the post proposed transaction is also set out at Section 5 of this report. In assessing the post proposed transaction value of a KSO Share we have had regard to:

- Our assessed range of values from KSO pre the proposed transaction;
- Our assessed value of Xref;
- The impact of the proposed capital raising (after transaction costs); and
- The additional shares in KSO issued as a consequence of the Xref acquisition, the capital raising, the conversion of the Notes and related transactions.

Based on the analysis in Section 5 of this Report, we have assessed the post transaction value of all of the issued capital of KSO to be in the range \$4.2 million to \$4.4 million (assuming minimum subscription to the capital raising).

Accordingly, we have assessed the value of a post proposed transaction KSO Share to be in the range of \$0.039 to \$0.042 per Share on a minority basis (assuming minimum subscription to the capital raising).

We note the proposed capital raising is to be conducted at \$0.20 per share. Should the KSO shares continue to trade at or around the capital raising price, KSO shareholders who elect to dispose of their holding may be able to realise their shareholding at greater than our assessed pre transaction value of a KSO share.

2.5 Impact on ownership and control of KSO

Ownership

Prior to the proposed transaction, KSO has 834,929,348 Shares on issue. The largest shareholder is Calama Holdings Pty Limited with 5.05% of the capital and the top 10 shareholders hold approximately 31% of the issued shares. In addition, 1,600,000 Options over unissued Shares remain outstanding.

Under the terms of the proposed transaction the Shares and Options will be consolidated at a ratio of 50:1 resulting in 16,698,587 Shares outstanding post consolidation.

In the event that the proposed transaction proceeds, KSO will issue 50,000,000 new post consolidation Shares to the Xref vendors (or their associates), as shown in the table below:

	Shares
Squirrel	24,038,462
West Riding	24,038,462
Mr David Haines	1,923,076
Total shares to be issued	50,000,000

Table 2: KSO shares to be issued to Xref shareholders (Source: KSO)

In addition, Shares and Options will be issued to certain parties as consideration for, inter alia, conversion of convertible notes, brokers fees etc. After the issue of the transaction proceeds and other transactions, the share capital (and ownership), assuming the minimum capital raising, will be as illustrated in the table below:

KSO ownership	Notes	Pre transaction	%	Post transaction	%	Post perf shares	%
Existing KSO	1	16,698,587	100	17,098,587	20	17,098,587	13
Xref vendors	2	-	-	50,160,938	59	100,160,938	74
Tim Mahoney	3	-	-	1,643,750	2	1,643,750	1
Note holders	4	-	-	2,735,938	3	2,735,938	2
Capital raising	5	-	-	13,600,000	16	13,600,000	10
Total Shares		16,698,587	100	85,239,213	100	135,239,213	100

Table 3: KSO capital structure pre and post proposed transaction (Source: KSO, NoM and RSMFSA analysis)

Notes:

- 1 – Existing KSO shareholders - post transaction include 400,000 Shares issued to the KSO Directors under the Prospectus
- 2 – Xref vendor shares includes 160,938 shares issued to David Haines from conversion of Notes
- 3 – Shares issued to Tim Mahoney includes 1,000,000 shares issued under the Prospectus and 643,750 from conversion of Notes
- 4 – Shares issued to Note holders excludes Shares issued to David Haines & Tim Mahoney from Conversion of Notes
- 5 – We have assumed no oversubscription (i.e. 15,000,000 Shares issued) and the displayed amount excludes shares issued to KSO directors and Tim Mahoney under the Prospectus.

Accordingly, existing KSO shareholders will be diluted by a factor of approximately 5 times post the proposed transaction, i.e. for every 1% interest in shares held in KSO prior to the proposed transaction, would become a 0.2% interest in KSO shares immediately after the proposed transaction.

As a result of the allotment of shares to Xref vendors, they will become the largest shareholders in KSO, controlling up to approximately 59% of the Shares immediately following the proposed transaction (56% assuming the maximum proposed capital raising), while the existing KSO shareholders will be significantly diluted to 20% assuming the minimum proposed capital raising (19% assuming the maximum proposed capital raising). Assuming the minimum proposed capital raising, new shareholders introduced through the proposed capital raising will hold around 16% of the issued capital of KSO (21% assuming the maximum proposed capital raising).

Should the performance rights vesting conditions be met and they convert to Shares, assuming the minimum proposed capital raising, the Xref vendors will hold around 74% of the issued capital in KSO (71% assuming the maximum proposed capital raising).

On a fully diluted basis (after the conversion of all performance rights and Options), and after the issue of the transaction proceeds and other transactions, the share capital (and ownership), assuming the minimum capital raising, will be as illustrated in the table below:

KSO ownership	Notes	Pre transaction	%	Post transaction	%	Post perf shares	%	Post Options	%
Existing KSO	1	16,698,587	100	17,098,587	19	17,098,587	12	17,930,587	13
Xref vendors	2	-	-	50,160,938	56	100,160,938	72	100,160,938	72
Tim Mahoney	3	-	-	1,643,750	2	1,643,750	1	2,543,750	2
Note holders	4	-	-	2,735,938	3	2,735,938	2	2,735,938	2
Capital raising	5	-	-	13,600,000	15	13,600,000	10	13,600,000	10
Taylor Collison	-	-	-	-	-	-	-	2,808,909	2
Total Shares		16,698,587	100	85,239,213	95	135,239,213	97	139,780,122	100
Options		32,00	-	4,540,909	5	4,540,909	3	-	-
Total capital		16,730,587	100	89,780,122	100	139,780,122	100	139,780,122	100

Table 4: KSO capital structure pre and post proposed transaction (Source: KSO, NoM and RSMFSA analysis)

Notes:

- 1 – Existing KSO shareholders - post transaction include 400,000 Shares issued to the KSO Directors under the Prospectus
- 2 – Xref vendor shares includes 160,938 shares issued to David Haines from conversion of Notes
- 3 – Shares issued to Tim Mahoney includes 1,000,000 shares issued under the Prospectus and 643,750 from conversion of Notes
- 4 – Shares issued to Note holders excludes Shares issued to David Haines & Tim Mahoney from Conversion of Notes

5 – We have assumed no oversubscription (i.e. 15,000,000 Shares issued) and the displayed amount excludes shares issued to KSO directors and Tim Mahoney under the Prospectus.

Accordingly, on a fully diluted basis, existing KSO shareholders will be diluted by a factor of approximately 5.55 times post the proposed transaction, i.e. for every 1% interest in shares held in KSO prior to the proposed transaction, would become a 0.18% interest in KSO shares immediately after the proposed transaction.

As a result of the allotment of shares to Xref vendors, on a fully diluted basis, they will become the largest shareholders in KSO, controlling up to approximately 56% of the Shares immediately following the proposed transaction (53% assuming the maximum proposed capital raising), while the existing KSO shareholders will be significantly diluted to 19% assuming the minimum proposed capital raising (18% assuming the maximum proposed capital raising). Assuming the minimum proposed capital raising, new shareholders introduced through the proposed capital raising will hold around 15% of the issued capital of KSO (20% assuming the maximum proposed capital raising).

Should the performance rights vesting conditions be met and they convert to Shares, on a fully diluted basis and assuming the minimum proposed capital raising, the Xref vendors will hold around 72% of the issued capital in KSO (69% assuming the maximum proposed capital raising).

Directors and associates will not be able to increase their percentage shareholding in KSO in the future unless they comply with the provisions of the Code and ASX listing rules. Effectively this means that they will only be able to acquire a greater shareholding percentage in KSO if:

- They make a full or partial takeover offer, or;
- The acquisition of further shares by the Directors or associates is approved by way of an ordinary resolution of KSO shareholders, or;
- The Company makes an allotment of shares which is approved by way of an ordinary resolution of KSO shareholders, where the Directors and associates would be precluded from voting on such a resolution due to the operation of ASX Listing Rule 9.3.1.

Shareholder voting

Ordinary resolutions require passing by more than 50% of votes of holders of securities who are eligible to vote and voting. Special resolutions require passing by 75% or more of votes of holders of securities who are eligible to vote and voting. A shareholder holding more than 25% of a company is able to block a special resolution.

A shareholder holding more than 50% of the voting securities of a company is able to pass an ordinary resolution. A shareholder holding 50% or more of the voting securities of a company is able to block an ordinary resolution.

A shareholder holding 75% or more of the voting securities of a company is able to pass (or block) both ordinary resolutions and special resolutions.

A shareholder's ability to influence voting on ordinary or special resolutions may be impacted by other legal and regulatory factors such as the Companies Act, Takeovers Code, ASX Listing Rules, and the Company's constitution.

The typical powers that can be exercised by an ordinary resolution of shareholders include:

- adoption of financial statements;
- appointment or removal of directors;
- appointment of auditors;
- alteration of shareholder rights; and
- decisions involving remuneration and other benefits.

The typical powers that can be exercised by a special resolution of shareholders include:

- adopting, altering or revoking the company's constitution;
- approval of a major transaction;

- approval of an amalgamation; and
- placing the company into liquidation.

A shareholder may also be able to influence voting on ordinary or special resolutions in the event that other shareholders choose not to vote (to the extent that this increases the effective voting power of those shareholders that do vote). In our view it is likely that, given the large number of current KSO shareholders with small share parcels and the low level of liquidity in the Company's shares, a material proportion of KSO shares would not be voted on for any given resolution.

In the event that the proposed transaction proceeds, Xref vendors would hold more than 50% (but less than 75%) of the voting securities of the Company. In our view the Xref vendors would therefore, if acting collectively, be able to pass or block ordinary resolutions and would be able to block, and may be able to pass, special resolutions.

Further, each of Mr Lee-Martin Seymour and Mr Tim Griffiths (or their associates) will hold in excess of 25% of the issued capital of KSO, enabling them to significantly influence decision making and block any special resolution when acting independently.

In our view, the effect of the proposed transaction is that the Xref vendors will have effective shareholder control over the Company.

Board of Directors

In the event the proposed transaction proceeds there will be fundamental changes to the Board of KSO. It is anticipated that three new directors will be appointed to the Board as representatives of Xref as follows:

- Mr Lee-Martin Seymour;
- Mr Tim Griffiths; and
- Mr Tim Mahoney.

KSO has indicated that, in the event the proposed transaction is approved, two of the Company's three current Directors will resign (Mr Stephen McPhail and Mr Simon Taylor) and Mr Simon O'Loughlin will continue in office.

The initial Board post-transaction would therefore comprise a total of at least four directors. Xref nominees would have a majority of seats on the KSO Board. In addition, the Xref nominated directors (if acting together) would have the ability to appoint or remove directors.

It is anticipated that the Board of KSO would, at its first meeting post-transaction, discuss and appoint a new Chairman.

In our view, the effect of the Proposed Transaction is that Xref will have effective control over the Board and governance of the Company.

2.6 Impact on KSO's share price & liquidity

KSO has had limited share trading activity over the twelve months prior to the announcement and according to our analysis, KSO may be considered to be a relatively illiquid stock.

In the 12 months prior to the announcement of the proposed transaction (3 August 2015), approximately 146 million KSO Shares were traded on the ASX, representing 17.49% of the total share on issue. Of these around 22.8 million Shares traded on 26 March 2015 and a further 30 million Shares (approximately) traded on three trading days (collectively) in late 2015.

Over the 180 days prior to the announcement of the proposed transaction, KSO shares have traded in the range 0.002 cents and 0.004 cents per share with a VWAP of around \$0.0031 (post consolidation equivalent – \$0.155). The market capitalisation of KSO while trading in this range was approximately \$1.7 million - \$3.3 million (\$2.6 million at the 180 day VWAP).

We note that, since the announcement of the proposed transaction on 3 August 2015, the KSO share price has increased from \$0.004 to \$0.011 per share as at 2 October 2015, an increase of 275%, during this 60 day period a total of 607,862,910 shares were traded representing 72.8% of the total shares on issue.

Such significant turnover may be indicative of KSO shareholders who do not seek exposure to the business of Xref electing to sell their shares prior to any transaction and take advantage of the increase in value.

As at 13 October 2015, the KSO share price was \$0.008 (post consolidation equivalent - \$0.40), and KSO's market capitalisation was approximately \$7.51 million. As there are no operating assets in KSO, we consider any trading in the share price reflects market expectations of future creation of value in the Company. However as this value has not been delivered we consider it speculative and have placed limited reliance on the traded share price.

Whilst it is not possible to predict the future price of KSO shares, the recapitalisation of the Company and introduction of the Xref operating business may lead to increased interest in, and demand for the Company's shares.

Ultimately, the future KSO share price and liquidity will likely be impacted by a wide range of factors including the future financial performance of the Company and its investments as well as wider macro-economic and other factors.

2.7 Xref's intentions for KSO

Xref was incorporated in Australia on 29 November 2010 and has been developing and commercialising its core technology since that date. The core Xref technology is a cloud based solution with a focus on online candidate referencing workflow which allows prospective employers to conduct on-line pre-employment reference checks on suitable candidates. A more detailed profile on Xref is provided in Section 4.

Xref has indicated that the balance of new funds (i.e. minimum \$3.0 million and up to \$4.0 million) introduced to KSO should the proposed transaction (including the capital raising) be approved and completed will be invested in development of new applications for the core Xref technology together with increased marketing spend in areas and geographies not currently addressed by Xref.

Whilst the longer term strategic intentions of Xref with respect to KSO are not known, the Company has advised that it intends to present a review of its options at KSO's next Annual General Meeting.

2.8 Material change in business risk for KSO

The proposed transaction will, prima facie, significantly change KSO's business risk profile. KSO is currently a listed junior mineral exploration company with key interests in Mongolia and China. Should the proposed transaction be approved and completed, investors in KSO will be exposed to cloud based technology with significant reliance (at least initially) on the recruitment sector.

We note that the proposed transaction may deliver a reduction in KSO's financial risk due to the recapitalisation of the Company's financial position and increase in cash reserves as outlined earlier in this IAR.

Further information in relation to the Directors view of the risks associated with the proposed transaction is set out in Section 15 of the NoM.

2.9 Alternatives to the proposed transaction

The Directors of KSO advise that they are not currently considering any alternatives to the Proposed Transaction. Further, the Directors have advised that they had examined a number of other potential investment opportunities prior to entering into the HoA with Xref.

The Directors consider that the proposed transaction with Xref will deliver value for existing KSO shareholders through the exposure to cloud based technology solutions, enable the Company to improve its financial position and continue to operate on a more sustainable basis (albeit in a different industry).

2.10 Implications if the Resolutions are not approved

Should any of the Resolutions not be approved by the KSO shareholders eligible to vote, then none of the Resolutions will take effect and the proposed transaction will not proceed.

In the event that the proposed transaction does not proceed then the Directors intend to continue with the evaluation of other opportunities which might meet the criteria of adding significant shareholder value.

While the Company holds sufficient working capital to continue to operate in the short term, the Directors may need to consider alternative options such as de-listing, sale or administration of the Company should no opportunities be deemed acceptable to pursue.

2.11 Alternatives for KSO shareholders who do not wish to retain their investment

In the event the proposed transaction proceeds and existing shareholders of KSO do not wish to retain their shares they could potentially sell their shares on-market. However, the level of investor interest for KSO shares post-transaction is uncertain. Therefore the ability to sell on market may be constrained by an ongoing lack of liquidity in the trading of KSO shares.

If the special resolution approving parts of the proposed transaction is passed, those shareholders who voted against the approved resolution are (subject to certain conditions) entitled to require the Company to buy their shares in accordance with provisions of the Companies Act, 1993.

Further information on minority buy-out rights are provided in Section 1.8 and at Annexure K of the NoM and Explanatory Statement.

2.12 Summary of evaluation of merits

In our view the proposed transaction will have benefits for KSO shareholders including:

- The acquisition of the Xref business for no cash consideration should offer the KSO shareholders exposure to a growth company in the cloud based technology and recruitment sectors which has been trading profitably for the past two years;
- The recapitalisation of the Company should improve KSO's net asset position from \$1.1 million to approximately \$4.3 million post-transaction, and up to \$5.2 million, (per the Directors pro forma balance sheet at Annexure A of the NoM and Explanatory Statement) and maintain the financial and operating viability of the Company;
- The subscription for \$3.0 million (and up to \$4.0 million) in new Shares in the proposed capital raising, together with the proposed acquisition of Xref, will increase cash reserves of KSO to approximately \$4.5 million and up to \$5.5 million (maximum subscription) per the Directors pro forma balance sheet;
- The existing business of KSO has effectively ceased with the Directors electing not to expend any further funds on exploration and tenements being sold or made available for sale. Without a transaction such as the Xref transaction, shareholder funds will be diminished over time with little prospect (in the absence of another deal) of a return to shareholders;
- The recapitalisation of KSO and introduction of the Xref business (for no cash consideration) may lead to increased interest in, and demand for, the Company's shares. This has the potential to improve both the share price and liquidity (i.e. the number of shares traded);
- The Directors are of the view that the current sentiment in the Australian share market with regard to junior exploration companies is poor and investors are becoming risk averse. In the current share market environment, there may be greater likelihood of restoring shareholder value by progressing the proposed acquisition of Xref than if the Company was simply to remain a junior mineral explorer listed on ASX; and

- Should the proposed transaction be approved and the proposed capital raising be successful, the Directors will hold sufficient working capital to continue to operate and invest in further growth in the short term to medium term. Alternatively, if it is not approved and the Directors are not able to proceed with another opportunity, they may need to consider alternative options such as de-listing, sale or administration of the Company.

The proposed transaction will have some negative features for KSO shareholders including:

- Existing KSO shareholders will be diluted by a factor of approximately 5 times i.e. every 1% interest in held in KSO prior to the proposed transaction, will become a 0.2% interest in KSO immediately after the proposed transaction (on an undiluted basis and assuming the minimum capital raising). Accordingly, the existing shareholders will move from 100% of the Shares on issue to around 20%. Should all the performance rights convert and the Options outstanding be exercised, and assuming the minimum proposed capital raising, the existing KSO shareholders will be diluted to around 13% of the issued capital of KSO (12% assuming the maximum proposed capital raising);
- By virtue of holding around 74% of the voting securities (assuming no dilution and the minimum proposed capital raising) and the appointment of three Xref nominated Directors to the Board of KSO, the Xref vendors will have effective control over the Company and its future direction;
- Our valuation, on a net assets basis of the KSO shares on a control basis, pre the proposed transaction is higher than the assessed range of a KSO share (on a control and a minority basis) after the proposed transaction. We note, however, that the lack of forecasts for the Xref business has limited the capture of potential growth in shareholder value in our assessment;
- KSO shareholders may prefer an exposure to the mineral exploration sector and their risk profile may not suit exposure to the cloud based technology & recruitment sectors. Should this be the case, affected shareholders are able to exit their shareholdings through the market, or, in certain circumstances may be able to exercise their minority buy out rights; and
- KSO will lose any remaining tax losses in the Company.

Having given due regard to all of the above factors we consider that, on balance, the benefits to KSO shareholders of the proposed transaction outweigh its negative features.

2.13 Voting for or against the resolutions

If shareholders vote against any Resolutions, then none of the Resolutions will take effect and the proposed transaction will not proceed.

Voting for or against the Resolutions in respect of the proposed transaction is a matter for individual shareholders to consider based on their own view as to value, control issues, future market conditions, state of the global economy, risk profile and other factors.

KSO shareholders will need to consider carefully these consequences and consult their own professional adviser as appropriate.

3. Overview of King Solomon Mines Limited

3.1 Background and history

KSO is a New Zealand based public company whose principal business is the acquisition, exploration and development of mineral resource projects in China. The company was incorporated on 28 January 2003 and admitted to the official list of the ASX in April 2007.

A brief overview of the key announcements made in the Company's recent history is provided in the table below:

Year	Milestone
2012	➤ 23 January, KSO announced their 2011 field program at Bu Dun Hua (BDH) ended with encouraging results
	➤ 3 April, KSO announced drilling had commenced at the company's BDH copper project
	➤ 29 August, KSO announced a placement of 30.9 million fully paid ordinary shares at a price of \$0.0165 to raise \$0.5 million
	➤ 5 October, KSO announced drilling had commenced at its Three Eagles and East Ridge prospects
	➤ 17 October, KSO advised Mr Bruce Bell has resigned as a director of the Company
2013	➤ 14 January, KSO advised Mr John Quinn has resigned as a director of the Company
	➤ 13 December, KSO announced a placement of 14.15 million fully paid ordinary shares at a price of \$0.004 to raise \$56,600
2014	➤ 10 February, KSO announced that it reached agreement for the sale of its office building in Huhhot, Inner Mongolia, China for a total price of RMB 1.6 million
	➤ 6 August, KSO announced a placement of 11 million fully paid ordinary shares at a price of \$0.003 to raise \$33,000
	➤ 25 September, KSO announced a placement of 22,778,170 fully paid ordinary shares at a price of \$0.003 to raise approximately \$68,000
	➤ 1 October, KSO appointed Mr Simon O'Loughlin and Mr Simon Taylor as Non-Executive Directors of the Company
	➤ 7 October, KSO advised Mr Fu La has resigned as a director of the Company
	➤ 10 October, KSO announced an underwritten renounceable rights issue of 3 new shares for every 2 existing share held by shareholders at an issue price of \$0.002 per share
	➤ 16 October, KSO announced that it had reached agreement for the sale of 2 of its exploration licences in Inner Mongolia, China in settlement of an outstanding creditor valued at RMB 301,000
2015	➤ 4 February, KSO advised Mr Chris Castle has resigned as a director of the Company
	➤ 8 May, KSO appointed Mr Robert Waring as company secretary
	➤ 26 May, KSO announced an amendment to their constitution, as approved at the EGM, inserting a new clause 9.10 designed to facilitate the sale of holdings of less than marketable parcels
	➤ 3 August, KSO announced they had entered into a conditional binding agreement to acquire Xref Pty Limited
	➤ 19 August, KSO provided an update on the Xref acquisition, announcing the completion of an interim funding to raise gross proceeds of up to \$550,000 from existing and new investors
	➤ 27 August, KSO announced they had finalised the sale of less than marketable parcels of securities in the Company

Table 5: KSO history (Source: KSO ASX announcements)

3.2 Board of directors

A profile of the current board of directors of KSO is set out in the table below:

Name	Title	Experience
Mr Simon T O'Loughlin	Non-Executive Chairman	Mr Simon O'Loughlin is the founding member of O'Loughlin 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 the ASX and the National Stock Exchange.
Mr Stephen J McPhail	Managing Director	Mr Stephen McPhail has been a director since he co-founded KSO 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 he co-founded Highlake Resources NL 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 J R Taylor	Non-Executive Director	Mr Simon Taylor is a geologist with 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, 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.

Table 6: Profile of KSO Directors (Source: KSO website & ASX announcements)

3.3 Current ownership & capital structure

KSO currently has 834,929,348 ordinary shares on issue held by 588 shareholders as summarised in the table below:

KSO Top 10 Shareholders	Number held	% of total
Calama Holdings Pty Ltd	42,168,470	5.05
Octifil Pty Ltd	33,665,976	4.03
Grey Bucket Pty Ltd	30,122,045	3.61
Twenty Ten Enterprise Ltd	29,469,500	3.53
Ravenhill Investments Pty Ltd	28,000,000	3.35
Clive Waterson Superfund Pty Ltd	22,529,740	2.70
Glenlora Trustees Limited	20,000,000	2.40
Puntero Pty Ltd	17,500,000	2.10
Mr Michael Andrew Whiting & Bodhi Svaha Holdings Limited	16,833,783	2.02
	15,499,999	1.86
Top 10 shareholders	255,789,513	30.64
Other shareholders	579,139,835	69.36
Total shares on issue	834,929,348	100.00

Table 7: KSO shareholders (Source: KSO share register 27 August 2015)

As at 27 August 2015, approximately 30.64% of KSO's ordinary shares are held by the top 10 shareholders and around 130 shareholders held less than a marketable parcel (based on the share price at that date of \$0.007).

We are advised Mr Stephen McPhail, the Managing Director of the Company, has an interest in Bodhi Svaha Holdings Limited, the tenth largest shareholder in the Company.

In addition to the ordinary shares, the Company has on issue 1,600,000 Options over unissued shares. We understand the Options, with an exercise price of \$0.12, were issued to Directors of KSO as a component of their remuneration and have an expiry date of 29 July 2016. We are advised no other options are on issue.

3.4 Financial performance

The financial performance of KSO for the years ended 31 March 2014 and 31 March 2015 and the 5 months ended 31 August 2015 are summarised in the table below:

KSO Income statement A\$	Year ended 31-Mar-2014 Audited	Year ended 31-Mar-2015 Audited	5 months to 31-Aug-2015 Unaudited
Other income			
Foreign exchange gain	11,717	6,466	-
Gain on sale of fixed assets	165	-	-
Interest received	1,912	4,477	4,453
Reversal of impairment	-	63,739	-
Sale of licences	-	63,909	-
Total other income	13,794	138,591	4,453
Expenses			
Depreciation	-	(35,028)	-
Directors and professional fees	(170,911)	(193,508)	(65,098)
Employee benefits expense	(30,083)	(26,114)	(11,455)
Exploration asset maintenance expense	(75,616)	(85,421)	-
Foreign exchange loss	-	-	(8,198)
Impairment of fixed assets	(38,010)	-	-
Loss on property available for sale	(28,743)	-	-
Office expenses	(46,337)	(33,321)	(3,193)
Other expenses	(80,563)	(95,385)	(54,279)
Professional fees	-	-	(69,175)
Share option expense	(15,428)	(3,431)	-
Write off of exploration expenditure	(140,839)	(765,727)	-
Total expenses	(626,530)	(1,237,935)	(211,398)
Loss before tax	(612,736)	(1,099,344)	(206,945)
Income tax expense	-	(202)	-
Loss after tax	(612,736)	(1,099,546)	(206,945)
Other comprehensive income			
Currency translation differences	169,240	208,481	-
Comprehensive income net of tax	(443,496)	(891,065)	(206,945)

Table 8: KSO historical financial performance (Source: KSO)

In relation to the financial performance presented above, we note:

- The company has earned no operating income for the period presented. All income has been from one off gains or sale of assets;
- Reversal of impairment in FY2015 was a result of a review of the impairment charged against property, plant and equipment in light of the Group urgently looking for a sale of fixed assets at the time;
- The sale of licences in FY2015 was in relation to the sale of the Naogaoshandu and Marmot tenements in October 2014 in exchange for the settlement of an outstanding creditor with a value of RMB 301,000;

- Write off of exploration expenditure in FY 2014 and FY2015 relates to exploration and evaluation expenditure incurred in relation to tenements owned at BDH, Naogaoshandu, Marmot and Sonid North. All drilling programs ceased during the year ended 31 March 2013 and the results were not as encouraging as hoped. During October 2014, the directors sold the Naogaoshandu and Marmot tenements and is considering their options for the other two tenements. The write off impaired the carrying value of the tenements to the directors best estimate of the likely sale price of the remaining tenements at balance date;
- Exploration asset maintenance expenses were incurred in relation to the remaining tenements, being BDH and Sonid North. We note no exploration or asset maintenance exploration has been incurred in the 5 months to August 2015 reflecting the director's election to cease exploration operations; and
- KSO generated losses after tax of \$443,496 in FY2014, \$891,065 in FY2015 and approximately \$198,746 for the five months to 31 August 2015.

3.5 Financial position

The consolidated financial position of KSO as at 31 March 2015 (audited) and 31 August 2015 (unaudited) are set out in the table below:

KSO Financial position A\$	31-Mar-2015 Audited	31-Aug-2015 Unaudited
Current assets		
Cash and cash equivalents	922,661	734,177
Receivable from sale of property	178,469	-
Other receivables – related parties	72	54
Other receivables – tax on interest	1,054	-
Other receivables – other	35,096	19,587
Prepayments	1,746	1,794
Prepayments – related parties	-	6,154
Total current assets	1,139,098	761,766
Non-current assets		
Motor vehicles	74,173	-
Other plant and equipment	7,877	207,611
Exploration and evaluation assets	446,173	461,917
Total non-current assets	528,223	669,528
Total assets	1,667,321	1,431,294
Current liabilities		
Accounts payable – related parties	20,698	5,617
Accounts payable – other	317,616	343,211
Total current liabilities	338,314	348,828
Total liabilities	338,314	348,828
Net assets	1,329,007	1,082,466
Shareholders funds		
Share capital	18,733,002	18,733,002
Share options	92,160	92,160
Foreign currency translation reserve	753,826	(68,574)
Accumulated losses	(18,249,981)	(17,674,122)
Total shareholders funds	1,329,007	1,082,466

Table 9: KSO historical financial position (Source: KSO)

In relation to the financial position of KSO presented above, we note:

- As at 31 March 2015 the audited net asset position of KSO was approximately \$1.3 million and the company had a working capital (current assets less current liabilities) balance of around \$800,000;
- As at 31 August 2015, KSO disclosed unaudited net assets of approximately \$1.1 million and net working capital of approximately \$413,000, a diminution of around \$200,000 in net assets and \$400,000 in working capital over the five month period;
- Other than cash, the other remaining significant assets include the exploration assets held at directors' valuation of around \$450,000; and
- We have separately engaged Mr Ian Buckingham of Global Resources and Infrastructure Pty Limited (GR&I) to assess the market value of the remaining exploration assets as at October 2015. Mr Buckingham has valued the KSO's exploration assets at \$240,000 and GR&I's summary valuation letter is attached at Appendix D to this IAR.

3.6 Share price history

A summary of KSO's recent share price and volume for the 12 month period to 2 August 2015 is set out in the graph below:

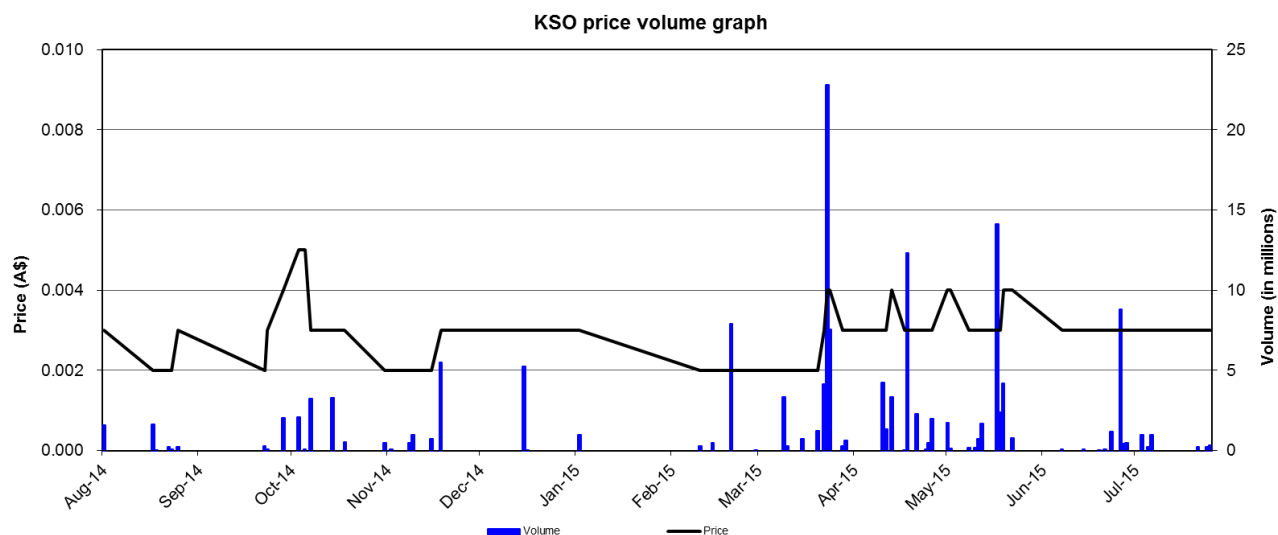


Figure 1: KSO daily closing share price and traded volumes (Source: S&P Capital IQ)

We make the following comments with regard to KSO's recent share price performance:

- In the 12 months prior to the announcement of the proposed transaction (on 3 August 2015), KSO's shares have traded on the ASX between a low of \$0.002 on various dates and a high of \$0.005 in October 2014;
- A significant spike in trading volume occurred on 26 March 2015, with 22,795,970 shares being traded. This is likely the result of shareholders selling their shares prior to the Extraordinary General Meeting which was to be held on 27 March 2015;
- Immediately prior to the announcement of the proposed transactions, KSO shares had a closing price of \$0.003
- Following announcement of the proposed transaction on 3 August 2015, the Company's share price rose from \$0.003 to \$0.004, and to a high of \$0.011 on 18 August 2015.

In order to provide further analysis of the market prices for KSO shares, we have considered the volume weighted average market price (VWAP) for 10, 30, 60, 90, 120 and 180 trading day periods prior to 2 August 2015:

	1 Day	10 Day	30 Day	60 Day	90 Day	120 Day	180 Day
VWAP – ASX (A\$)	-	0.0034	0.0030	0.0031	0.0033	0.0031	0.0031
Total volume (000's)	0.0	774.1	13,951.2	38,282.6	101,682.5	116,020.4	133,287.0
% of total shares	0.00%	0.09%	1.67%	4.59%	12.18%	13.90%	15.96%

Table 10: VWAP KSO share pre offer (Source: RSMFSA analysis)

The VWAP on the ASX remained relatively stable over the 180 day period prior to the announcement of the proposed transaction, moving in the range \$0.0030 to \$0.0034.

KSO is not a liquid stock. Although it has a relatively widely held share register, with the top 10 shareholders holding only 30.64% of the issued capital, around 15.96% of the issued of the Company's share capital was traded in the 180 trading days prior to the announcement of the proposed transaction, which translates to annual turnover of around 32%.

4. Profile on Xref Pty Limited

4.1 Background & ownership

Xref was incorporated in Australia on 29 November 2010 and is a Sydney based human resource (HR) technology company with a focus on online candidate referencing workflow solutions. Xref was founded by its executive directors and major shareholders, Lee-Martin Seymour and Tim Griffiths, with an initial concept to reengineer the process of conducting employment reference checks on job candidates.

The core Xref product allows prospective employers to seamlessly and professionally conduct pre-employment reference checks through the use of Cloud based technology.

Xref claims its fully automated platform allows recruiters and HR managers to securely complete candidate referencing in a fraction of the time it has traditionally taken to complete the task.

According to Xref, using their system HR managers or prospective employers take, on average, approximately 15 seconds to make a reference request and, on average, the request is completed and returned within 24 hours. In addition, Xref's has advised their reports are highly analytical and provide insightful comparable data. On average, users of Xref's technology have experienced a 98% success rate (of completion of references) with 60% more data collected that under traditional approaches.

Xref's platform and business model allow users to purchase Xref credits to use at their discretion based on the individual hiring needs of each organisation. These credits are used by clients to complete pre-employment references on candidates they wish to shortlist.

Xref is currently operating in Australia, New Zealand, the United Kingdom and Singapore, with plans to launch the platform in other jurisdictions including North America, Asia and further into the United Kingdom, whilst continuing to expand the business in existing localities.

4.2 Directors

A profile of the founders and directors of Xref is set out in the table below:

Name	Title	Experience
Mr Lee-Martin Seymour	Director / Co-founder	Lee has a background in professional recruitment and is now focused on 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.
Mr Tim Griffiths	Director / Co-founder	Tim, an MBA qualified technologist, has 20 years' experience advising companies, including Virgin and SkyTV. He worked for Benchmark Capital providing technical due 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.

Table 11: Profile of Xref Directors (Source: Xref)

4.3 Current ownership & capital structure

Xref currently has 100 ordinary shares and 4 class E shares on issue to three shareholders as outlined in the table below:

Share class	Number of shares	Beneficially held	Shareholder
Ordinary	50	Yes	Squirrel Holdings Australia Pty Limited
Ordinary	50	Yes	West Riding Investments Pty Limited
Class E	4	No	David John Haines

Table 12: Xref Shareholders (Source: ASIC)

4.4 Financial performance

The unaudited financial performance of Xref for the years ended 30 June 2014 and 30 June 2015 together with the three months ended 30 September 2015 are summarised in the table below:

Xref Income statement A\$	Year ended 30-Jun-2014 Unaudited	Year ended 30-Jun-2015 Unaudited	3 months to 30-Sept-2015 Unaudited
Income			
Sales	251,594	673,202	217,484
Interest received	349	965	503
Investment income	-	-	513,700
Other income	-	1,479	333
Total income	251,943	675,646	732,020
Expenses			
Accountancy	(333)	(2,917)	-
Advertising and promotion	(8,496)	(19,355)	(12,659)
Bank fees and charges	(346)	(1,369)	(1,143)
Cleaning / rubbish removal	(224)	(964)	(490)
Consultants fees	(2,229)	(8,416)	(18,927)
Depreciation	(1,819)	(4,389)	-
Amortisation NPP	(2,799)	(5,675)	-
Donations	-	(702)	-
Electricity	(288)	(613)	-
Entertainment	-	-	(7,838)
Filing fees	(236)	(243)	-
General expenses	-	-	(1,157)
Hosting fees	(3,683)	(8,896)	(4,225)
Insurance	(1,622)	(3,795)	(2,503)
Legal	-	-	(24,944)
Office supplies	(556)	(2,202)	(8,725)
Printing & stationary	(754)	(1,602)	-
Rent	(10,949)	(28,639)	(6,414)
Salaries – ordinary	(125,840)	(413,660)	(184,987)
Staff amenities	(6,393)	(13,001)	-
Staff training	-	(2,250)	(10,124)
Subscriptions	(4,702)	(19,457)	(21,120)
Sundry expenses	(381)	(1,601)	-
Superannuation	(11,640)	(39,312)	(17,574)
System development	-	-	(1,571)
Telephone	(3,183)	(7,655)	(3,243)
Travel, accom & conference	(5,248)	(25,792)	(17,626)
Total expenses	(191,722)	(612,234)	(345,270)
Profit from ordinary activities before tax	60,221	63,412	386,749

Table 13: Xref historical financial performance (Source: Xref)

In relation to the historical financial performance of Xref presented above we note:

- Sales of the Xref product have increased significantly in each period presented;
- Annualised FY2016 revenue (based on the three months to 31 September 2015) is around \$900,000, an increase of around 30% over FY2015;
- Investment income of \$513,700 shown in the YTD FY2016 management accounts is the proceeds from the issue of the convertible notes and is not operating income of Xref;
- The most significant expense for Xref is salaries and wages. Xref advises that salaries have increased with sales and as cash has become available to employ developers etc. Annualised salaries for FY2016 are around \$850,000; and
- Xref has been profitable in each period presented.

We have not been provided with prospective financial information for inclusion in this IAR.

4.5 Financial position

The unaudited consolidated financial position of Xref as at 30 June 2014, 30 June 2015 and 30 September 2015 is summarised in the table below:

Xref Financial position A\$	30-Jun-2014 Unaudited	30-Jun-2015 Unaudited	30-Sept-2015 Unaudited
Current assets			
Cash and cash equivalents	4,358	81,148	391,602
Trade debtors	82,522	83,949	66,335
Other current assets	-	7,088	-
Total current assets	86,880	172,185	457,937
Non-current assets			
Related party loans	489	5,626	-
Property, plant & equipment	7,238	36,361	45,486
Intangible assets	14,957	-	-
Total non-current assets	22,684	41,986	45,486
Total assets	109,564	214,171	503,423
Current liabilities			
Bank overdraft	72	72	-
Trade creditors	4,934	(1,608)	7,451
Other creditors	111	(5)	-
Provisions	9,677	14,223	16,491
Tax liabilities	34,993	130,257	125,748
Total current liabilities	49,787	142,943	149,690
Non-current liabilities			
Related party loans	14,870	4,695	(5,051)
Total non-current liabilities	14,870	4,695	(5,051)
Total liabilities	64,657	147,638	144,639
Net assets	44,907	66,533	358,784
Equity			
Issued capital	100	100	100
Retained profits / (accumulated losses)	44,807	66,433	358,684
Total equity	44,907	66,533	358,784

Table 14: Xref historical financial position (Source: Xref)

In relation to the financial position of Xref presented above, we note:

- As at 30 September 2015, Xref disclosed unaudited net assets of approximately \$358,784 and net working capital (current assets less current liabilities) of approximately \$308,247. This compares to the net asset position at 30 June 2015 of \$66,533;
- The increase in cash and net assets relates primarily to the issue of Notes to raise \$550,000 on 7 August 2015. We note the Notes have not been recognised in the managements unaudited balance sheet as at 30 September 2015;
- Based on our discussions with Xref management, and our analysis of the Xref financial information provided, we have not identified any surplus assets or liabilities in Xref;

- Investment in development of the Xref core technology has been expensed as incurred and has not been capitalized; and
- The pre IPO convertible notes are not recognised in the management's unaudited Xref statement of financial position as at 30 September 2015.

5. Valuation issues arising from the proposed transaction

5.1 Valuation analysis

To assist in the analysis of the merits of the proposed transaction for KSO shareholders, we have undertaken a valuation analysis of the KSO shares prior to, and assuming completion of, the proposed transaction.

In assessing the value of the KSO shares pre the proposed transaction we have considered:

- The price at which KSO shares traded prior to announcement of the Proposed Transaction; and
- The value of KSO's net assets (including our assessed value of KSO's listing on the ASX).

In assessing the value of the KSO shares assuming completion of the proposed transaction, we have considered:

- Our assessed pre proposed transaction value range for KSO shares;
- The impact of the proposed acquisition of Xref;
- The impact of the proposed Capital Raising; and
- The impact of the related transactions such as the conversion of the convertible notes to Shares.

We have also considered the value of KSO Share implied by the proposed Capital Raising.

5.2 Value of KSO shares prior to the proposed transaction

Pre announcement market trading

As discussed in Section 3, there has been limited trading in KSO shares over the past 12 months. Prior to the announcement of the proposed transaction on 3 August 2015, KSO shares traded at a 90 day VWAP of 0.0033 cents per share and a 180 day VWAP of \$0.031.

The total volume of shares traded during 90 day period represented approximately 12.2% of the total shares on issue and approximately 16% over the 180 day period. Accordingly, we consider the KSO Shares to be relatively illiquid.

KSO has 834,929,348 pre consolidation shares on issue. Based on a 90 day VWAP of 0.0033 cents per share, the implied equity value of KSO was approximately \$2.6 million. However, given the lack of liquidity in the KSO Shares, we do not consider that the use of market data provides a strong basis for determining the equity value of KSO.

As at 13 October 2015 the KSO share price was \$0.008 (post consolidation equivalent - \$0.40), and KSO's market capitalisation was approximately \$7.51 million. As there are no operating assets in KSO, we consider any post announcement trading in the Shares reflects market expectations of future creation of value in the Company. However, as this value has not been delivered we consider it speculative and have placed limited reliance on the traded share price.

Net assets of KSO

KSO is a non-operating entity which holds cash and other assets. Accordingly, we consider the market value of net assets is an appropriate valuation approach for the KSO equity.

As at 31 August 2015 KSO had unaudited net assets (excluding the value of its listing on the ASX) of \$1,082,466, equivalent to \$0.0013 per share.

The primary asset of KSO at that date (other than cash) was the holding in exploration assets in China with a carrying value (as determined by the directors) of around \$466,000. We have separately engaged Mr Ian Buckingham of GR&I to assess the independent value of these assets. Mr Buckingham has formed the opinion that the exploration assets have an independent value of book value of \$240,000 (preferred value). A copy of Mr Buckingham's short form valuation letter is attached at Appendix D to this IAR.

Accordingly, we have estimated the value of the net assets to be approximately \$876,000 as set out in the table below:

Value of KSO net assets	\$
Reported net assets as at 31 August 2015	1,082,466
Less – book value of exploration assets	(446,173)
Add – independent valuation of exploration assets	240,000
Estimated value of KSO net assets	876,293

Table 15: Estimated value of KSO net assets (Source: KSO, Ian Buckingham)

Tax losses carried forward

For a company to be able to carry forward a tax loss to a future tax year it must meet the shareholder continuity test. The shareholder continuity test will generally be met if there is a group of shareholders whose combined voting interest in the company during the “continuity period” is 49% or more.

KSO advises that it has audited tax losses available of \$6.465 million as at 31 March 2015. We have not subscribed any value to these tax losses given their contingent nature.

Value of KSO’s ASX listing

While intangible in nature, there is value inherent in KSO’s listing on the ASX. The value ascribed to a listing on the ASX reflects the time, risk and costs potentially saved by a company undertaking a reverse-listing rather than undertaking a direct compliance listing or initial public offering (IPO). Major costs associated with a direct compliance listing would likely include legal and other advisory fees, share registry expenses, accounting fees, ASX fees, disclosure statements and/or an investment statement and prospectus. An ASX compliance listing would also require a Company to meet the minimum requirements of the ASX Listing Rules including having a spread of at least 200 shareholders.

Increased compliance requirements and costs placed on ASX issuers involved in reverse listings has, in our view, reduced the attractiveness of reverse listings and therefore the value of a listing on the ASX.

The value ascribed to an ASX listing in reverse listing transactions often varies significantly and should be considered in the context of the individual transaction (e.g. the benefits to the target company need to be considered on a case-by-case basis). Based on our analysis of selected reverse listing transactions undertaken in Australia, the implied value of a listing has been in the range of \$0.2 million to \$1.2 million, with an average of \$0.5 million. More recent transactions have been in the range of \$0.2 million to \$0.4 million.

Based on the above analysis, we have assessed the value of KSO’s listing on the ASX to be in the range of \$200,000 to \$300,000 with a midpoint of \$250,000.

Assessed value of KSO shares prior to the proposed transaction

We consider that the most relevant measure of the current value of KSO comprises the Company’s net assets plus our assessed value of the Company’s ASX listing. As we have valued the shares using a net asset methodology, we have valued a controlling interest.

In light of the above, we have assessed the aggregate value of KSO pre the proposed transactions to be in the range of \$1.13 million to \$1.16 million. Accordingly, we assess the value of each KSO pre consolidation Share

to be in the range of \$0.0013 to \$0.0015. On a post consolidation basis this equates to \$0.067 to \$0.069 per share.

5.3 Value of KSO shares post the proposed transaction

In order to assess the potential value of the shares post the proposed transaction, we have estimated the value of KSO post the proposed transaction to be in the range \$4.2 million to \$4.4 million as set out in the table below.

KSO post transaction	\$	\$
Assessed value of KSO pre transaction	1,126,000	1,160,000
Assessed value of Xref (see below)	450,000	680,000
Capital raising (minimum subscription)	3,000,000	3,000,000
Cost of the capital raising (as advised)	(400,000)	(400,000)
Assessed value of KSO post transaction	4,176,000	4,440,000

Table 16: Post transaction assessed value of KSO net assets (Source: KSO, Ian Buckingham)

Assessed value of Xref

In order to assess the value of Xref we have considered the historical financial information provided to us only. We have not been provided with forecasts for Xref for FY2016 or subsequent periods.

In light of the above, we have valued 100% of Xref in the range \$450,000 to \$680,000 as set out below:

Valuation analysis – 100% of Xref	\$	\$
Estimated maintainable EBITDA	60,000	80,000
EBITDA multiple(control basis)	7.5x	8.5x
Enterprise value	450,000	680,000
Less – Net debt	-	-
Value of Xref shares (control basis)	450,000	680,000

Table 17: Assessed value of Xref shares (Source: KSO, Ian Buckingham)

In relation to the above we note:

- **Estimated maintainable EBITDA** has been based on the historical EBITDA of Xref for the year ended 30 June 2015. As we have not been provided with forecasts for the year ended 30 June 2016, we are not able to reasonably estimate maintainable EBITDA on prospective information and ; and
- **EBITDA multiple** has been selected after considering the trading multiples of a number listed cloud based technology companies in Australia and internationally. We have adjusted the observed multiple for, inter alia, premium for control, size and company specific risks.

We note our valuation range exceeds the unaudited net asset position of Xref as at 30 September 2015 (approx. \$360,000) indicating the presence of an intangible balance. Based on our understanding of the Xref business, we consider the intangible balance may be represented by patents, technology, customer relationships and goodwill.

Assessed value of KSO shares post the proposed transaction

In order to assess the value of a KSO share post the proposed transaction we have considered our assessed value of KSO post the proposed transaction, together with the number of Shares on issue immediately after the proposed transaction competes as set out in the table below.

Post transaction shares on issue	Post transaction
Existing KSO shareholders	17,098,587
Issued to Xref vendors	50,160,938
Issued to convertible note holders	1,643,750
Tim Mahoney	2,735,938
Issued under the capital raising (minimum subscription))	13,600,000
Total share on issue	85,239,213
Options on issue	4,540,909
Post transaction KSO shares on issue	89,780,122

Table 18: Post transaction KSO shares (Source: KSO, NoM)

In light of the above we have assessed the value of a KSO share to be in the range \$0.049 to \$0.052 cents on a controlling basis and, after a 20% discount for minority interest, in the range \$0.039 to \$0.042.

Valuation analysis - KSO post transaction		
Assessed value of KSO post transaction (control basis)	\$4,176,000	\$4,440,000
KSO shares on issue	85,239,213	85,239,213
Assessed value of KSO share (control basis)	\$0.049	\$0.052
Minority discount (20%)	\$0.010	\$0.010
Assessed value of a KSO share (minority basis)	\$0.039	\$0.042

Table 19: Post transaction assessed value of a KSO share (Source: RSMFSA analysis)

Based on our post transaction value of a KSO share, the Xref shareholders are receiving between \$2.45 million and \$2.6 million for their shares in Xref (before performance shares). We note this compares with our value range of \$0.45 million and \$0.68 million for Xref based on historical results, indicating a premium is being paid for Xref. We note however, due to our inability to review forecasts for the Xref business, the value range presented may not capture potential growth in the Xref business and financial performance.

Yours faithfully

RSM Financial Services Australia Pty Ltd



Ian Douglas
Director



Andrew Gilmour
Director

APPENDIX 1 – DECLARATIONS AND DISCLOSURES

Declarations and disclosures

RSM Financial Services Australia Pty Ltd holds Australian Financial Services Licence 238282 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

Qualifications

Our report has been prepared in accordance with professional standard APES 225 “Valuation Services” issued by the Accounting Professional & Ethical Standards Board.

RSMFSA is beneficially owned by the partners of RSM Australia (RSM) a large national firm of chartered accountants and business advisors.

Mr Ian Douglas and Mr Andrew Gilmour are directors of RSMFSA. Both Mr Douglas and Mr Gilmour are Chartered Accountants with extensive experience in the field of corporate valuations and the provision of independent expert’s reports for transactions involving publicly listed and unlisted companies in Australia.

Disclosure of interest

At the date of this report, none of RSMFSA, RSM, Ian Douglas, Andrew Gilmour, nor any other member, director, partner or employee of RSMFSA and RSM has any interest in the outcome of the proposed transaction, except that RSMFSA are expected to receive a fee based on time occupied at normal professional rates for the preparation of this Report. All fees are payable regardless of whether the proposed transaction is successful, or otherwise.

Reliance on this IAR

This report has been prepared solely for the purpose of assisting the Shareholders of KSO in considering the proposed transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose.

Reliance on information

Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by the directors and management of KSO and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness.

RSMFSA does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

The opinion of RSMFSA is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

In addition, we have considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.

Disclaimer

We have prepared this IAR with care and diligence and the statements in the IAR are given in good faith and in the belief, on reasonable grounds, that such statements are not false or misleading. However, in no way do we guarantee or otherwise warrant any forward-looking statements included in this IAR.

We assume no responsibility arising in any way whatsoever for errors or omissions (including responsibility to any person for negligence) for the preparation of the IAR to the extent that such errors or omissions result from our reasonable reliance on information provided by others or assumptions disclosed in the IAR or assumptions reasonably taken as implicit.

Our evaluation has been arrived at based on economic, exchange rate, market and other conditions prevailing at the date of this IAR. Such conditions may change significantly over relatively short periods of time. We have no obligation or undertaking to advise any person of any change in circumstances which comes to our attention after the date of this IAR or to review, revise or update our IAR.

We have had no involvement in the preparation of the NoM issued by KSO and have not verified or approved the contents of the NoM. We do not accept any responsibility for the contents of the NoM except for this IAR.

Declarations

Advance drafts of this IAR were provided to the KSO Directors for their comments as to factual accuracy as opposed to opinions, which are the sole responsibility of RSMFSA. Changes made to the IAR as a result of the circulation of the drafts have not changed the methodology or conclusions reached by RSMFSA. Our terms of reference for this engagement did not contain any term which materially restricted the scope of this IAR.

Indemnity

KSO has agreed that, to the extent permitted by law, it will indemnify RSMFSA and its directors and employees in respect of any liability suffered or incurred as a result of or in connection with the preparation of the IAR. This indemnity does not apply in respect of any negligence, wilful misconduct or breach of law. KSO has also agreed to indemnify RSMFSA and its directors and employees for time incurred and any costs in relation to any inquiry or proceeding initiated by any person. Where RSMFSA or its directors and employees are found liable for or guilty of negligence, wilful misconduct or breach of law or terms of reference RSMFSA shall reimburse such costs.

Consents

RSMFSA consents to the inclusion of this report in the form and context in which it is included with the NoM to be issued to Shareholders. Other than this report, none of RSMFSA, RSM Australia or RSM has been involved in the preparation of the NoM. Accordingly, we take no responsibility for the content of the NoM as a whole.

APPENDIX 2 – SOURCES OF INFORMATION

In preparing this report we have relied upon the following principal sources of information:

- The KSO NoM drafted in relation to the extraordinary general meeting being held to consider the proposed acquisition and related transactions;
- KSO audited annual reports for the years ended 31 March 2013, 31 March 2014, and 31 March 2015;
- KSO unaudited management accounts for the five months ended 31 August 2015;
- The ASX announcements made by KSO in the three years prior to the date of this report;
- The valuation of KSO's exploration assets undertaken by Mr Ian Buckingham of Global Resources and Infrastructure Pty Limited dated 7 October 2015;
- Publicly available information in relation to KSO;
- Xref unaudited financial statements for the two years ended 30 June 2015;
- Xref's unaudited management accounts for the three months ended 30 September 2015;
- Publicly available information in relation to the cloud based technology sector and the recruitment sector;
- Information available from proprietary databases such as Capital IQ

During the course of preparing this IAR, we have had discussions with and/or received information from the Directors of KSO, Xref and their advisers.

The Directors of KSO have confirmed that we have been provided for the purpose of this IAR with all information relevant to the proposed transaction that is known to them and that all the information is true and accurate in all material aspects and is not misleading by reason of omission or otherwise. Including this confirmation, we have obtained all the information that we believe is necessary for the purpose of preparing this IAR.

In our opinion, the information set out in this IAR is sufficient to enable the Directors and shareholders of KSO to understand all the relevant factors and to make an informed decision in respect of the proposed transaction.

APPENDIX 3 – GLOSSARY OF TERMS AND ABBREVIATIONS

Term or Abbreviation	Definition
\$	Australian Dollar
APES	Accounting Professional & Ethical Standards Board
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange Limited
ASX listing rules	Listing rules of the ASX
Board	Board of Directors of KSO
Companies Act	Companies Act (193) NZ
Company	King Solomon Mines Limited
Consolidation	The proposed consolidation of every 50 KSO Shares and Option into 1 KSO Share or Option
Control basis	As assessment of the value on an equity interest, which assumes the holder or holders have control of entity in which the equity is held
Corporations Act	Corporations Act (2001) Cth
Directors	Directors of KSO
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Fair value	the amount at which an asset could be exchanged between a knowledgeable and willing but not anxious seller and a knowledgeable and willing but not anxious buyer, both acting at arm's length
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
FY##	Financial year ended 30 June
GR&I	Global Resources and Infrastructure Pty Limited
HoA	The Heads of Agreement between Xref and KSO dated 29 July 2015
IAR	This Independent Adviser's Report
Independent adviser	RSM Financial Services Australia Pty Limited

Term or Abbreviation	Definition
KSO	King Solomon Mines Limited
Minority basis	As assessment of the value on an equity interest, which assumes the holder or holders do not have control of entity in which the equity is held
Major transaction	the meaning given in section 129 of the Companies Act
NoM	The Notice of Meeting to which this IAR is appended
Notes	Convertible notes issued by Xref with an aggregate face value of \$550,000
Performance rights	A, B & C class performance rights with the terms and conditions as set out the relevant annexure to the NoM
Proposed capital raising	The proposed issue of new shares in KSO at \$0.20 to raise a minimum of \$3.0 million with the ability to accept a further \$1.0 in over subscriptions
Proposed transaction	The acquisition of Xref by KSO, the proposed capital raising and related transaction as described in the NoM and Explanatory Statement
Prospectus	The Prospectus to be issued in relation to the proposed capital raising
Relevant interest	If that person holds shares or has the power to control the right to vote or dispose of shares
Regulations	Corporations Act Regulations 2001 (Cth)
RSMFSA	RSM Financial Services Australia Pty Ltd
Xref	Xref Pty Limited
VWAP	Volume weighted average share price
West Riding	West Riding Investments Pty Limited a company associated with Lee-Martin Seymour

APPENDIX 4 – VALUATION OF KSO'S EXPLORATION ASSETS

GLOBAL RESOURCES & INFRASTRUCTURE

7 October 2015

BY EMAIL: ian.douglas@rsm.com.au

Ian Douglas
Director
RSM Financial Services Australia Pty Limited
Level 12
60 Castlereagh Street
SYDNEY NSW 2000

Dear Mr Douglas,

RE: Independent Valuation of the KSO's Sonid North Project

At your request, Global Resources & Infrastructure Pty Ltd ("Global") has prepared an independent valuation of KSO's Sonid North gold exploration project, located in Inner Mongolia, PRC.

In providing our valuations we have adhered to the requirements of the Valmin Code (2005) of the Australasian Institute of Mining and Metallurgy ("The AusIMM").

We have reviewed all available technical and financial information regarding KSO's Sonid North project and our opinion is that at best it can be considered to be an immature exploration project with no JORC (2012) compliant resources Au identified. As such, Global has been limited in its choice of valuation methodologies. Accordingly, we have used those methods that we consider to be the most appropriate given the stages of exploration that have been completed and in using these methods we recognise that the values that we have obtained should be considered to represent the Fair Market Value for this minerals asset.

I should advise that a valuation is derived by considering a technical value, reflecting on the assessed future net economic benefit of the project, which can be adjusted by way of a premium or discount for a given market and other conditions presently applicable to determine a fair market value. With this in mind, the application of standard valuation methodologies, while possible, may not indicate a realisable value, as the ability of a potential purchaser to use the asset for commercial advantage or other gain from its ownership, may not be achievable.

The commonly used valuation methods for mineral assets that are considered to be at an exploration stage and were used by Global were (i) Comparable Transactions method; and (ii) Exploration Expenditure Multiples method. The latter method was used for cross checking purposes.

We identified a number of transactions involving trades in exploration tenements that could be considered to be reasonably comparable with the Sonid North project. We also determined that we should crosscheck these with valuation calculations based on the Exploration Expenditures Multiples method, as KSO was able to supply to us its exploration expenditures accounts. We did not use any other valuation methods, as we consider the value indicated by Comparable Transactions and crosschecked using the EEM method to be reasonable indicators of value in the current circumstances.

We also recognise that the low investor sentiment towards junior exploration companies has continued for some years now and that this global market trend of "marking down" junior explorers in favour of large commodities producers or the mid-sized developers / producers has had a devastating impact on the junior exploration sector with the vast members of this sector struggling to raise funds and continue their exploration activities.

The effects of these circumstances are that Company Directors' focus is firmly on cash preservation, financing and evaluating good opportunities. Many junior explorers have actively assessed their tenements and expenditures and mostly rationalised their tenement portfolios to concentrate and retain only those projects that they consider have a strong chance of future success. Hence, in considering the value of Sonid North we will need to keep this situation forefront in our deliberations.

Finally, since most of the Comparative Transactions that we have been able to identify occurred during the years 2011 and 2012, when the gold price was considerably higher than it is now, gold properties and projects

PO Box 360
Mont Albert
VIC 3127
Australia

Tel Int'l: +614 1733 5462
Tel: 0417 335 462
ianb@globalresources.com.au

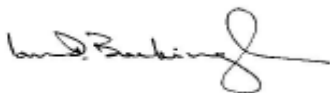
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were transacted for significantly higher price multiples than is the current situation. The current gold price represents a reduction of approximately 42% on the highest price achieved and accordingly any gold project valuations must take into account the ramifications of this significantly lower price. Of course, the reduction in the value of the Australian Dollar against the US Dollar in the last two years has allayed some of the gold price concerns but this does not appear to have resulted in a return by investors to the junior gold sector.

The values of the transactions that we identified vary depending on the stage of exploration, the presence of known mineralisation or the identification of JORC (2012) compliant resources and the strategic importance of the tenements to a purchaser, in particular their proximity to milling facilities and road networks.

We determined that the value range of KSO's Sonid North project at its current level of exploration development is within the range A\$130,000 to A\$346,000. Our preferred value is A\$240,000.

Yours sincerely,
Global Resources & Infrastructure Pty Ltd



Ian D. Buckingham
Managing Director

ANNEXURE H

INFORMATION REQUIRED BY TAKEOVERS CODE IN RESPECT OF RESOLUTION 5 – ISSUE OF UP TO 49,038,462 SHARES TO SQUIRREL HOLDINGS AUSTRALIA PTY LTD

1. **Identity of the Allottee**

The ordinary shares being allotted to Squirrel pursuant to Resolution 5 are being allotted to Squirrel Holdings Australia Pty Ltd ACN 606 505 328 in its capacity as trustee of the Griffiths Family Trust.

2. **The maximum number of voting securities that could be allotted to the allottee (Approved Maximum Number)**

49,038,462 fully paid ordinary shares – assuming that:

- 24,038,462 fully paid ordinary shares are issued to Squirrel as a result of the Xref Acquisition; and
- 25,000,000 fully paid ordinary shares are issued to Squirrel on conversion of the Performance Rights granted to Squirrel (being the maximum number of shares which could be allotted pursuant to Squirrel's Performance Rights assuming all milestones are met).

3. **The percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the Approved Maximum Number represents**

33.8% - Assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$4 million involving the issue of 20 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 9 months interest are converted into 3,746,875 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- all options have been exercised by current option holders and any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,746,875
Performance Rights	50,000,000
Options Exercised	4,540,909
Capital Raising	<u>20,000,000</u>
	144,986,371

4. **The maximum percentage of all voting securities that could be held or controlled by the allottee after completion of the allotment or allotments**

36.3% - Assuming that the following occurs:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

5. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments (not including voting securities of any of the allottee's associates who are also relying on rule 7(d) in relation to the allotment or allotments (the relying associates))**

As Squirrel's only 'associates' (being West Riding and David Haines) are relying associates the information in this paragraph is the same as that in paragraph 4.

The aggregate percentage of all voting securities that could be held or controlled by Squirrel, excluding Squirrel's relying associates is 36.3% - assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

6. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments**

Each of Squirrel, West Riding and David Haines are 'associates' for the purposes of the Takeovers Code. Together, they could hold or control up to 74.1% after completion of the proposed allotments - assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);

- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

7. **The date used to determine the information referred to in this Annexure (the calculation date)**

The calculation date used for the purposes of paragraphs 2-6 is 14 October 2015.

8. **Assumptions used for determining paragraphs 2-6**

In addition to the specific assumptions set out in paragraphs 2-6 above, the following generic assumptions apply to the calculations used above:

- The number of voting securities is the number of voting securities on issue on the calculation date (i.e. where any of paragraphs 2-6 requires an assessment of the current share capital of the Company, that assessment was made on 8 September 2015); and
- Aside from the effects of the consolidation, the Proposed Transaction and the exercise of the options, there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotment or allotments); and
- In relation to paragraphs 2 to 4, the allottee is allotted the approved maximum number under the allotment or allotments; and
- In relation to paragraph 5, the allottee and each of the allottee's associates (not including the relying associates) are allotted the maximum number of voting securities; and
- In relation to paragraph 6, the allottee and each of the allottee's associates are allotted the maximum number of voting securities.

9. **Issue Price for Voting Securities**

The consideration for the issue of the Squirrel Acquisition Shares and Squirrel Performance Rights is the transfer of 50 ordinary shares in Xref to the Company.

Given Xref's valuation of \$96,153.85 per share, this implies a consideration of:

- \$0.20 for each Squirrel Acquisition Share if none of the Squirrel Performance Rights are exercised; or
- a consideration of \$0.20 per Squirrel Performance Right if all of the Squirrel Performance Rights are exercised (the Board being satisfied that in such circumstances the valuation of Xref will have at least doubled).

The consideration will be payable on completion of the Xref Acquisition.

10. Reasons for the allotments

The reason the Company is issuing and allotting the Squirrel Acquisition Shares and shares to Squirrel on exercise of the Squirrel Performance Rights is as consideration for the Xref Acquisition.

11. The allotment under Resolution 5, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.
12. A statement in accordance with Rule 16(g) of the Takeovers Code has been provided to the Company by Squirrel. Squirrel has confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between Squirrel and any other person (other than between Squirrel and the Company in respect of the matters referred to in this Notice of Meeting) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company. Squirrel's statement accompanies this Notice of Meeting.
13. The report from an independent adviser that complies with Rule 18 of the Takeovers Code is set out in Annexure **G** of this Notice of Meeting.
14. The statement by the Directors of the Company required by Rule 19 of the Takeovers Code is set out below.

Directors' Statement

The Directors unanimously recommend approval of the transaction referred to in Resolution 3 and the allotment of the Squirrel Acquisition Shares and Squirrel Performance Rights referred to in Resolution 5.

The reasons for this recommendation are as set out in Sections 13 and 14 of Part 1 of the Explanatory Statement.

ANNEXURE I

INFORMATION REQUIRED BY TAKEOVERS CODE IN RESPECT OF RESOLUTION 6 – ISSUE OF UP TO 49,038,462 SHARES TO WEST RIDING INVESTMENTS PTY LTD

1. **Identity of the Allottee**

The ordinary shares being allotted to West Riding pursuant to Resolution 6 are being allotted to West Riding Investments Pty Ltd ACN 606 505 319 in its capacity as trustee of the Seymour Family Trust.

2. **The maximum number of voting securities that could be allotted to the allottee (Approved Maximum Number)**

49,038,462 fully paid ordinary shares – assuming that:

- 24,038,462 fully paid ordinary shares are issued to West Riding as a result of the Xref Acquisition; and
- 25,000,000 fully paid ordinary shares are issued to West Riding on conversion of the Performance Rights granted to West Riding (being the maximum number of shares which could be allotted to pursuant to West Riding's Performance Rights assuming all milestones are met).

3. **The percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the Approved Maximum Number represents**

33.8% - Assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$4 million involving the issue of 20 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 9 months interest are converted into 3,746,875 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- all options have been exercised by current option holders and any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,746,875
Performance Rights	50,000,000
Options Exercised	4,540,909
Capital Raising	<u>20,000,000</u>
	144,986,371

4. **The maximum percentage of all voting securities that could be held or controlled by the allottee after completion of the allotment or allotments**

36.3% - Assuming that the following occurs:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

5. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments (not including voting securities of any of the allottee's associates who are also relying on rule 7(d) in relation to the allotment or allotments (the relying associates))**

As West Riding's only 'associates' (being Squirrel and David Haines) are relying associates the information in this paragraph is the same as that in paragraph 4.

The aggregate percentage of all voting securities that could be held or controlled by West Riding, excluding West Riding's relying associates is 36.3% - assuming that the

following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

6. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments**

Each of West Riding, Squirrel and David Haines are 'associates' for the purposes of the Takeovers Code. Together, they could hold or control up to 74.1% after completion of the proposed allotments - assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and

- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

7. **The date used to determine the information referred to in this Annexure (the calculation date)**

The calculation date used for the purposes of paragraphs 2-6 is 14 October 2015.

8. **Assumptions used for determining paragraphs 2-6**

In addition to the specific assumptions set out in paragraphs 2-6 above, the following generic assumptions apply to the calculations used above:

- The number of voting securities is the number of voting securities on issue on the calculation date (i.e. where any of paragraphs 2-6 requires an assessment of the current share capital of the Company, that assessment was made on 8 September 2015); and
- Aside from the effects of the consolidation, the Proposed Transaction and the exercise of the options, there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotment or allotments); and
- In relation to paragraphs 2 to 4, the allottee is allotted the approved maximum number under the allotment or allotments; and
- In relation to paragraph 5, the allottee and each of the allottee's associates (not including the relying associates) are allotted the maximum number of voting securities; and
- In relation to paragraph 6, the allottee and each of the allottee's associates are allotted the maximum number of voting securities.

9. **Issue Price for Voting Securities**

The consideration for the issue of the West Riding Acquisition Shares and West Riding Performance Rights is the transfer of 50 ordinary shares in Xref to the Company.

Given Xref's valuation of \$96,153.85 per share, this implies a consideration of:

- \$0.20 for each West Riding Acquisition Share if none of the West Riding Performance Rights are exercised; or

- a consideration of \$0.20 per West Riding Performance Right if all of the West Riding Performance Rights are exercised (the Board being satisfied that in such circumstances the valuation of Xref will have at least doubled).

The consideration will be payable on completion of the Xref Acquisition.

10. **Reasons for the allotments**

The reason the Company is issuing and allotting the West Riding Acquisition Shares and shares to West Riding on exercise of the West Riding Performance Rights is as consideration for the Xref Acquisition.

11. The allotment under Resolution 6, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.
12. A statement in accordance with Rule 16(g) of the Takeovers Code has been provided to the Company by West Riding. West Riding has confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between West Riding and any other person (other than between West Riding and the Company in respect of the matters referred to in this Notice of Meeting) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company. West Riding's statement accompanies this Notice of Meeting.
13. The report from an independent adviser that complies with Rule 18 of the Takeovers Code is set out in Annexure **G** of this Notice of Meeting.
14. The statement by the Directors of the Company required by Rule 19 of the Takeovers Code is set out below.

Directors' Statement

The Directors unanimously recommend approval of the transaction referred to in Resolution 3 and the allotment of the West Riding Acquisition Shares and West Riding Performance Rights referred to in Resolution 6.

The reasons for this recommendation are as set out in Sections 13 and 14 of Part 1 of the Explanatory Statement.

ANNEXURE J

INFORMATION REQUIRED BY TAKEOVERS CODE IN RESPECT OF RESOLUTION 4 – ISSUE OF UP TO 2,093,389 SHARES TO DAVID HAINES

1. **Identity of the Allottee**

The ordinary shares being allotted pursuant to Resolution 4 are being allotted to David Haines.

2. **The maximum number of voting securities that could be allotted to the allottee (Approved Maximum Number)**

2,093,389 fully paid ordinary shares – assuming that:

- 1,923,076 fully paid ordinary shares are issued to David Haines as a result of the Xref Acquisition; and
- 170,313 fully paid ordinary shares are issued to David Haines on conversion of the Xref Convertible Notes.

3. **The percentage of the aggregate of all existing voting securities and all voting securities that could be allotted that the Approved Maximum Number represents**

1.4% - Assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$4 million involving the issue of 20 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 9 months interest are converted into 3,746,875 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and
- all options are exercised by current option holders and any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,746,875
Performance Rights	50,000,000
Options Exercised	4,540,909
Capital Raising	<u>20,000,000</u>
	144,986,371

4. **The maximum percentage of all voting securities that could be held or controlled by the allottee after completion of the allotment or allotments**

2.4% - Assuming that the following occurs:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 9 months interest are converted into 3,746,875 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- no milestones are met and no Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,746,875
Capital Raising	<u>15,000,000</u>
	85,445,462

5. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments (not including voting securities of any of the allottee's associates who are also relying on [rule 7\(d\)](#) in relation to the allotment or allotments (the relying associates))**

As David Haines' only 'associates' (being Squirrel and West Riding) are relying associates the information in this paragraph is the same as that in paragraph 4.

The aggregate percentage of all voting securities that could be held or controlled by David Haines, excluding David Haines' relying associates is 2.4% - assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 9 months interest are converted into 3,746,875 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- no milestones are met and no Performance Rights are triggered; and
- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,746,875
Capital Raising	<u>15,000,000</u>
	85,445,462

6. **The maximum aggregate of the percentages of all voting securities that could be held or controlled by the allottee and the allottee's associates after completion of the allotment or allotments**

Each of David Haines, Squirrel and West Riding are 'associates' for the purposes of the Takeovers Code. Together, they could hold or control up to 74.1% after completion of the proposed allotments - assuming that the following occur:

- a 50:1 consolidation of the share capital of the Company (as contemplated by Resolution 1);
- the issue of 50,000,000 Acquisition Shares to the Xref Vendors under the Xref Acquisition (as contemplated by Resolutions 4, 5 and 6);
- the Capital Raising of \$3 million involving the issue of 15 million ordinary shares (as contemplated by Resolution 7);
- all of the Xref Convertible Notes plus 3 months interest are converted into 3,540,625 ordinary shares (as contemplated by Resolutions 4, 16 and 17);
- the issue of 50,000,000 shares if all milestones are met and all Performance Rights are triggered; and

- no options are exercised by any current option holder or any person receiving options in connection with the Proposed Transaction.

The table below sets out the pro forma issued share capital of the Company following completion of the Proposed Transaction on the basis of the assumptions set out above.

	# Shares
Existing Company shareholders	16,698,587
Acquisition Shares	50,000,000
Conversion Shares	3,540,625
Performance Rights	50,000,000
Capital Raising	<u>15,000,000</u>
	135,239,212

7. **The date used to determine the information referred to in this Annexure (the calculation date)**

The calculation date used for the purposes of paragraphs 2-6 is 14 October 2015.

8. **Assumptions used for determining paragraphs 2-6**

In addition to the specific assumptions set out in paragraphs 2-6 above, the following generic assumptions apply to the calculations used above:

- The number of voting securities is the number of voting securities on issue on the calculation date (i.e. where any of paragraphs 2-6 requires an assessment of the current share capital of the Company, that assessment was made on 8 September 2015); and
- Aside from the effects of the consolidation, the Proposed Transaction and the exercise of the options, there is no change in the total number of voting securities on issue between the calculation date and the end of the allotment period (other than as a result of the allotment or allotments); and
- In relation to paragraphs 2 to 4, the allottee is allotted the approved maximum number under the allotment or allotments; and
- In relation to paragraph 5, the allottee and each of the allottee's associates (not including the relying associates) are allotted the maximum number of voting securities; and
- In relation to paragraph 6, the allottee and each of the allottee's associates are allotted the maximum number of voting securities.

9. **Issue Price for Voting Securities**

The consideration for issue of the Haines Acquisition Shares is the transfer of 4 Class E shares in Xref to the Company.

Given Xref's valuation of \$96,153.85 per share, this implies a consideration of \$0.20 for each Haines Acquisition Share.

The consideration will be payable on completion of the Xref Acquisition.

The consideration for the Haines Conversion Shares is the satisfaction of the amount due to Xref in the sum of \$25,000 plus interest to be paid in full by David Haines upon conversion. This implies a consideration of \$0.16 per Haines Conversion Share under the Convertible Note Deed entered into between David Haines and Xref.

The conversion will take place on completion of the Xref Acquisition.

10. **Reasons for the allotments**

The reason the Company is issuing and allotting the shares to David Haines is as follows:

- in respect of the Haines Acquisition Shares, as consideration for the Xref Acquisition; and
- in respect of the Haines Conversion Shares, pursuant to the Convertible Note Deed entered into between David Haines and Xref.

11. The allotment under Resolution 4, if approved, will be permitted under Rule 7(d) of the Takeovers Code as an exception to Rule 6 of the Takeovers Code.

12. A statement in accordance with Rule 16(g) of the Takeovers Code has been provided to the Company by David Haines. David Haines has confirmed that there are no agreements or arrangements (whether legally enforceable or not) that have been, or are intended to be, entered into between David Haines and any other person (other than between David Haines and the Company in respect of the matters referred to in this Notice of Meeting) relating to the allotment, holding or control of the voting securities to be allotted, or to the exercise of voting rights in the Company. David Haines' statement accompanies this Notice of Meeting.

13. The report from an independent adviser that complies with Rule 18 of the Takeovers Code is set out in Annexure *G* of this Notice of Meeting.

14. The statement by the Directors of the Company required by Rule 19 of the Takeovers Code is set out below.

Directors' Statement

The Directors unanimously recommend approval of the transaction referred to in Resolution 3 and the allotment of the Haines Acquisition Shares and Haines Conversion Shares referred to in Resolution 4.

The reasons for this recommendation are as set out in Sections 13 and 14 of Part 1 of the Explanatory Statement.

ANNEXURE K

MINORITY BUY-OUT RIGHT

Minority Buy Out Right

- 1.1 This Appendix contains information about the ability of shareholders who vote against Resolution 3 to require the Company to acquire their shares in accordance with section 110 of the Companies Act 1993.

Shareholders may require Company to purchase shares

- 1.2 Section 110 of the Companies Act provides that where:
- (a) a shareholder is entitled to vote on a major transaction (such as the Proposed Transaction); and
 - (b) the shareholders of the Company approve the resolution approving the major transaction; and
 - (c) a shareholder (**Dissenting Shareholder**) cast all the votes attached to shares registered in the Dissenting Shareholder's name (and having the same beneficial owner) against the resolution approving the major transaction,
- that Dissenting Shareholder is entitled to require the Company to purchase those shares held by the Dissenting Shareholder in accordance with the provisions of the Companies Act.

Notice requiring purchase

- 1.3 Section 111 of the Companies Act provides that the Dissenting Shareholder may, within 10 working days of the passing of the resolution at the meeting of shareholders, give a written notice to the Company requiring the Company to purchase those shares.
- 1.4 Within 20 working days of the Company receiving the Dissenting Shareholder's notice, the Board of the Company must:
- (a) agree to the purchase of the shares by the Company; or
 - (b) arrange for some other person to agree to purchase the shares; or
 - (c) apply to the Court for an order under section 114 or section 115 of the Companies Act (the details of which are referred to below); or
 - (d) arrange, before taking the action concerned, for the special resolution approving the Proposed Transaction to be rescinded in accordance with section 106 of the Companies Act or decide in the appropriate manner not to take the action concerned, as the case may be; and
 - (e) give written notice to the shareholder of the Board's decision regarding its proposed course of action.

Price for shares to be purchased by Company determined

- 1.5 Within 5 working days of the Board giving the notice referred to above in paragraph 1.4 that the Board agrees to the purchase of the Dissenting Shareholders shares, the Board must give to the Dissenting Shareholder written notice of:

- (a) the price the Company offers to pay for those shares; and
 - (b) how:
 - (i) the matters in paragraph 1.6 were calculated; or
 - (ii) the price was calculated under paragraph 1.7 and why calculating the price using the methodology set out in paragraphs 1.6(a) to (c) would be clearly unfair.
- 1.6 The price the Company intends to pay for the Dissenting Shareholder's shares must be a fair and reasonable price (as at the close of business on the day, before the date on which the resolution was passed) for the Dissenting Shareholders shares, calculated as follows:
- (a) first, the fair and reasonable value of the total shares in each class to which the shares belong must be calculated (the **class value**):
 - (b) secondly, each class value must be adjusted to exclude any fluctuation (whether positive or negative) in the class value that has occurred (whether before or after the resolution was passed) that was due to, or in expectation of, the event proposed or authorised by the resolution:
 - (c) thirdly, a portion of each adjusted class value must be allocated to the Dissenting Shareholder in proportion to the number of shares the Dissenting Shareholder holds in the relevant class.
- 1.7 However, a different methodology from that set out in paragraph 1.6(a) to (c) may be used to calculate the fair and reasonable price for the shares if using the methodology set out in those paragraphs would be clearly unfair to the Dissenting Shareholder or the Company.
- 1.8 The Dissenting Shareholder may object to the price offered by the Board for the shares by giving written notice to the Company no later than 10 working days after the date on which the Board gave written notice to the Dissenting Shareholder under paragraph 1.5.
- 1.9 If the Company does not receive an objection to the price in accordance with paragraph 1.8, the Company must purchase all the Dissenting Shareholders shares at the nominated price no later than 10 working days after:
- (a) the date on which the Board's offer is accepted; or
 - (b) if the Board has not received an acceptance, the date that is 10 working days after the date on which the Board gave written notice to the shareholder under paragraph 1.5.
- 1.10 The time periods in paragraph 1.9 do not apply if there is a written agreement between the board and the Dissenting Shareholder that specifically sets a different date for purchase of the shares.

Price for shares referred to arbitration if shareholder objects to price

- 1.11 If the Company receives an objection to the price offered for the shares by the Company:

- (a) the following issues must be submitted to arbitration:
 - (i) the fair and reasonable price for the shares, on the basis set out in paragraphs 1.6 and 1.7; and
 - (ii) the remedies available to the Dissenting Shareholder or the Company in respect of any price for the shares that differs from that determined by the Board; and
 - (b) the Company must, within 5 working days of receiving the objection, pay to the Dissenting shareholder a provisional price in respect of each share equal to the price offered by the Board.
- 1.12 If the price determined for the Dissenting Shareholder's shares:
- (a) exceeds the provisional price paid, the arbitral tribunal must order the Company to pay the balance owing to the shareholder;
 - (b) is less than the provisional price paid, the arbitral tribunal must order the Dissenting Shareholder to pay the excess to the Company.
- 1.13 Except in exceptional circumstances, an arbitral tribunal must award interest on any balance owing or excess to be paid under paragraph 1.12.
- 1.14 If a balance is owing to the Dissenting Shareholder, an arbitral tribunal may award to the Dissenting Shareholder, in addition to or instead of an award of interest, damages for loss attributable to the shortfall in the initial payment.
- 1.15 Any sum that must be paid in accordance with the paragraphs 1.11 to 1.14 must be paid no later than 10 days after the date of the arbitral tribunal's determination, unless the arbitral tribunal specifically orders otherwise.

Interest payable on outstanding payments

- 1.16 Interest is payable on any sum that must be paid under paragraphs 1.11 to 1.14 that is outstanding after the date on which it falls due on the basis and at the rate that the arbitral tribunal thinks fit having regard to all of the circumstances.

Timing of transfer of shares

- 1.17 On the day on which the Board gives notice that the Board agrees to the purchase of the Dissenting Shareholder's shares by the Company pursuant to paragraph 1.4(e):
- (a) the legal title to those shares passes to the Company; and
 - (b) the rights of the shareholder in relation to those shares end.

Court may grant exemption

- 1.18 The Company may apply to the Court for an order exempting it from the obligation to purchase the Dissenting Shareholder's shares on the grounds that:
- (a) the purchase would be disproportionately damaging to the Company; or
 - (b) the Company cannot reasonably be required to finance the purchase; or
 - (c) it would not be just and equitable to require the Company to purchase the shares.

- 1.19 In the event that the Company sought to make an application to the Court, the Court could make an order exempting the Company from the obligation to purchase the shares, and may make any other order it thinks fit, including an order:
- (a) setting aside the resolution approving the Proposed Transaction;
 - (b) directing the Company to take, or refrain from taking, any action specified in the order;
 - (c) requiring the Company to pay compensation to the shareholders affected; or
 - (d) that the Company be put into liquidation.
- 1.20 The Court shall not make an order under paragraphs 1.18(a) or (b) unless it is satisfied that the Company has made reasonable efforts to arrange for another person to purchase the Dissenting Shareholder's shares.

Court may grant exemption if the Company is insolvent

1.21 If:

- (a) a notice is given to the Company by a Dissenting Shareholder requiring the Company to acquire their shares; and
- (b) the Board has resolved that the purchase by the Company of the Dissenting Shareholder's shares to which the notice relates would result in the Company failing to satisfy the solvency test; and
- (c) the Company has, having made reasonable efforts to do so, been unable to arrange for the shares to be purchased by another person,

the Company must apply to the Court for an order exempting it from the obligation to purchase the shares.

1.22 The Court may, if it is satisfied that:

- (a) the purchase of the shares would result in the Company failing to satisfy the solvency test; and
- (b) the Company has made reasonable efforts to arrange for the shares to be purchased by another person,

Make:

- (c) an order exempting the company from the obligation to purchase the shares; or
- (d) an order suspending the obligation to purchase the shares; or
- (e) such other order as it thinks fit.



King Solomon Mines Limited

ARBN 122 404 666

242 Marine Parade, Otaki 5512, New Zealand

Office (within Australia): 1 800 061 569

(outside Australia): +64 6 364 8462

Fax: +64 6 364 8497

enquiries@kingsolomonmines.com

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ARBN 122 404 666

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PROXY FORM

Return Proxy Form:

- by hand delivery to: 242 Marine Parade, Otaki 5512, New Zealand;
- by mail to: PO Box 15-005, Otaki 5542, New Zealand; or
- by facsimile to: +64 6 364 8497.

I/We

of

being a Shareholder / Shareholders of King Solomon Mines Limited (the Company) hereby appoint:

_____ of _____

or failing him / her:

_____ of _____

or, failing that person, the Chairman of the Meeting, as my / our proxy to vote for me / us on my / our behalf at the Extraordinary General Meeting of Shareholders of the Company to be held at the offices of Taylor Collison Limited, Level 10, 167 Macquarie Street, Sydney NSW 2000 Australia, at 11.00 am (Sydney time) on Thursday, 26 November 2015 and at any adjournment thereof.

Proxy Voting Instructions

If you do not wish to direct your proxy how to vote, please insert an X in the box:

By marking this box, you acknowledge that, if the Chairman is your proxy, the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him, other than as proxy holder, will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

If the Chairman of the Meeting is voting as your proxy, he intends to vote any undirected proxies held on the item of business in favour of the Resolution on that item of business.

Signature of shareholder (companies to execute under seal if appropriate)

SIGNED THIS _____ DAY OF _____ 2015

If you desire to direct your proxy/proxies how to vote, please insert an X in the appropriate boxes below. If you do not direct your proxy/proxies, the proxy holder may vote as they think fit or may abstain from voting.

Business

	For	Against	Abstain
Resolution 1 – Consolidation of Shares and Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 – Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 – Entering into a Major Transaction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 – Issue of Shares to David Haines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 – Issue of Consideration Securities to Squirrel Holdings Australia Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 – Issue of Consideration Securities to West Riding Investments Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 – Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8 – Issue of Shares to Simon O’Loughlin under Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9 – Issue of Shares to Simon Taylor under Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10 – Issue of Shares to Timothy Mahony under Prospectus	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11 – Issue of Options to Taylor Collison Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12 – Issue of Options to Simon O’Loughlin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 13 – Issue of Options to Stephen McPhail	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 14 – Issue of Options to Simon Taylor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 15 – Issue of Options to Timothy Mahony	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 16 – Issue of Shares to Convertible Noteholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 17 – Issue of Shares to Biatan Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 18 – Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>