King Solomon Mines Limited

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

HIGHLIGHTS

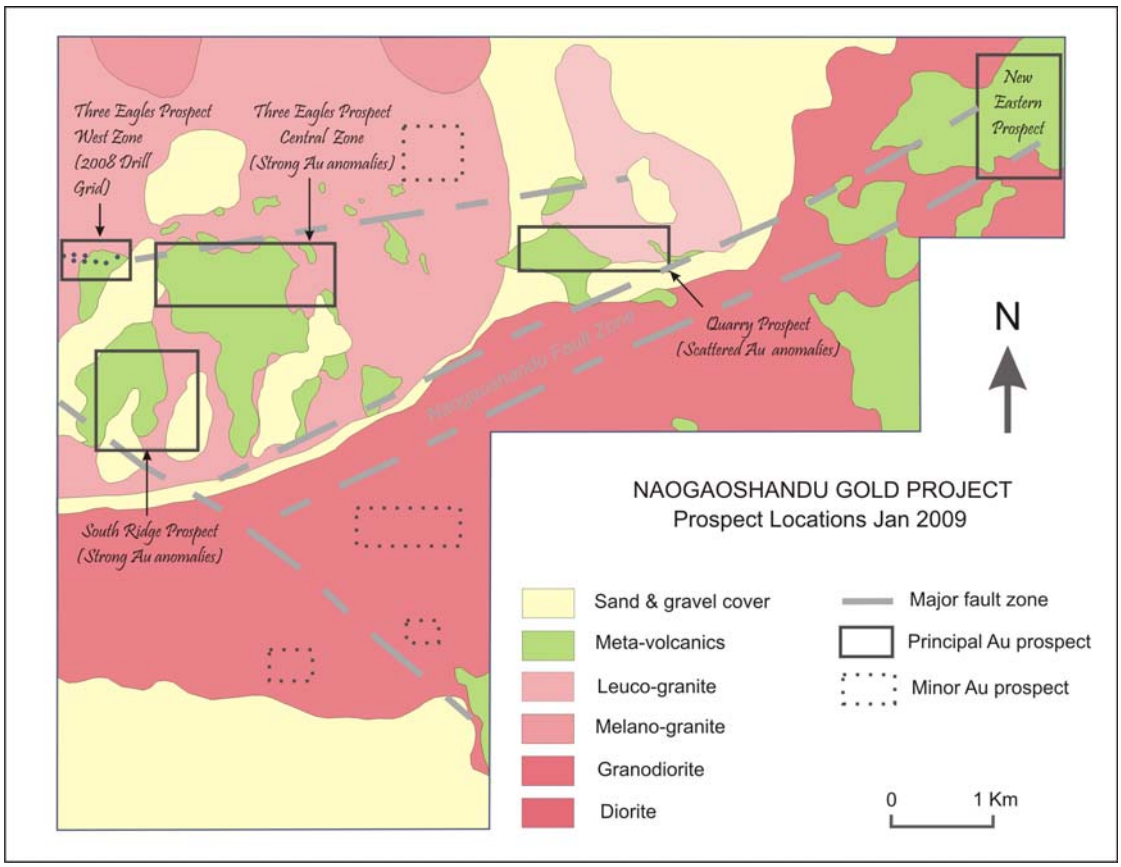
- **Encouraging gold results from newly discovered South Ridge prospect at Naogaoshandu**
- **Discovery of a new, larger, gold zone at Three Eagles prospect, Naogaoshandu**

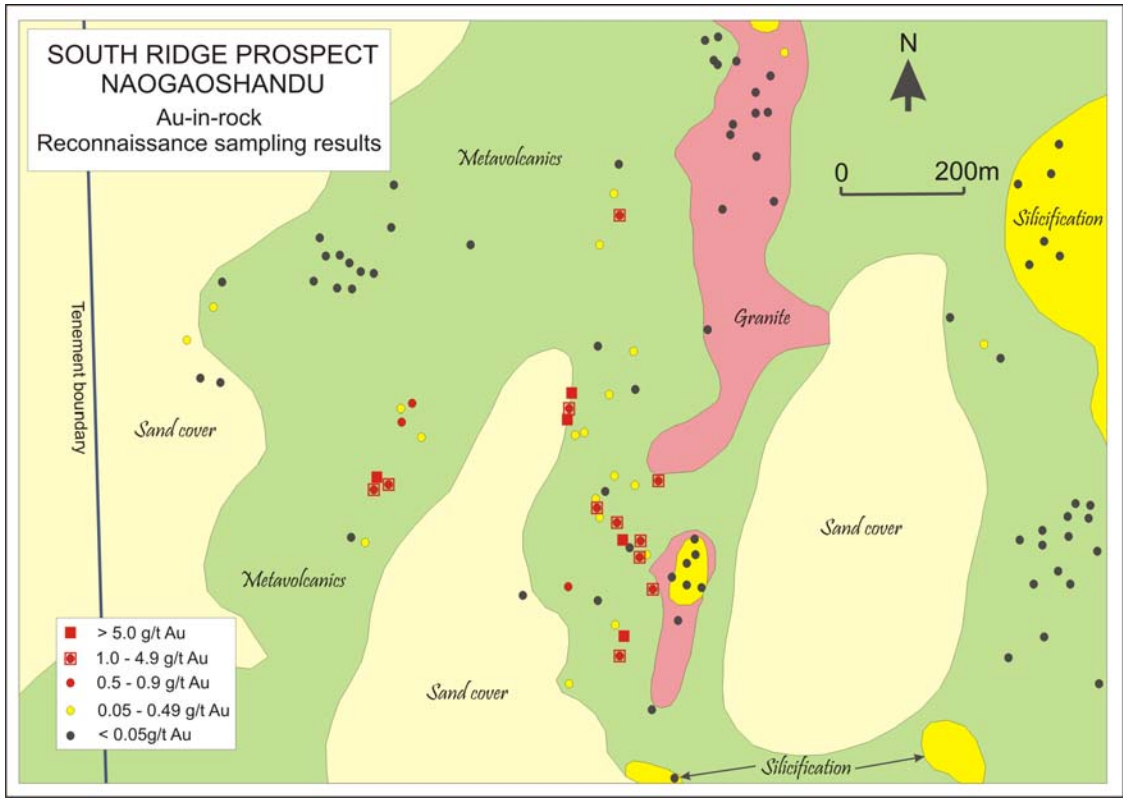
REVIEW OF OPERATIONS

NAOGAOSHANDU GOLD PROJECT (King Solomon 100%)

A decision to accelerate work on the Naogaoshandu gold project through the December quarter has resulted in the discovery of two encouraging new gold prospects and a number of lesser gold occurrences. The discoveries derived from a project-wide rock-chip sampling and geological mapping program that yielded strong Au-in-rock values over a broad area now referred to as **South Ridge** and also in a new zone associated with the existing **Three Eagles** prospect.

The **South Ridge** prospect is located approximately 1.2km southeast of the Three Eagles fracture zone where KSO undertook a small scout RC-drilling program in early 2008. The prospect consists of an 800m north-south elongate zone containing strongly Au-mineralised discontinuous quartz lenses, veins and veinlets. The zone is up to 400m wide near the southern extremity and tapers to tens of metres wide at the northern end. It remains open to the south where it disappears under drifting sand cover. Gold values from representative chips are commonly in the order of several g/t Au (rf. accompanying plan).


Three Eagles Prospect
West Zone
(2008 Drill
Grid)
Three Eagles Prospect
Central Zone
(Strong Au anomalies)
New
Eastern
Prospect
Quarry Prospect
(Scattered Au anomalies)
Nangaotianda Fault Zone
South Ridge Prospect
(Strong Au anomalies)
N
NAOGAOSHANDU GOLD PROJECT
Prospect Locations Jan 2009
Sand & gravel cover
Meta-volcanics
Leuco-granite
Melano-granite
Granodiorite
Diorite
Major fault zone
Principal Au prospect
Minor Au prospect
0
1 Km


SOUTH RIDGE PROSPECT
NAOGAOSHANDU
Au-in-rock
Reconnaissance sampling results
N
0
200m
Metavolcanics
Silicification
Granite
Tenement boundary
Sand cover
Sand cover
Metavolcanics
Sand cover
Silicification
> 5.0 g/t Au
1.0 - 4.9 g/t Au
0.5 - 0.9 g/t Au
0.05 - 0.49 g/t Au
< 0.05g/t Au

The early 2008 **Three Eagles** scout RC drilling program was centred on a 500m east-west striking, strongly-silicified tens-of-metres wide fracture set. While gold values at surface were very low, the holes were drilled on geology, alteration and pathfinder element geochemistry and a number of quartz-sulphide zones yielding up to 2g/t Au over 2m were encountered at relatively shallow depths. The current mapping and sampling program has located a scatter of more strongly gold-mineralised rocks at surface, centred approximately 1.5km along strike to the east of this area. The new zone has been named the Three Eagles Central Zone with the drill grid area becoming the West Zone. The strongest cluster of encouraging results within the Central Zone is a 400m by 300m area of > 0.1 g/t Au samples that includes a small number in excess of 1.0 g/t Au.

Both the South Ridge and Three Eagles prospects are priority targets for the 2009 field season. A number of areas of weaker Au-in-rock geochemistry elsewhere at Naogaoshandu merit re-visiting, in particular the Quarry prospect where rock-chip gold values are more weakly anomalous than the prospects described above but are nevertheless conspicuously clustered.

MARMOT COPPER-MOLYBDENUM PROJECT (King Solomon 100%)

Marmot Ridge: The 2008 field season at Marmot came to a close with the completion of diamond hole MR038 at Marmot Ridge. The hole passed through a moderately shallow dipping tongue of the altered quartz diorite porphyry that has become the focus of KSO's porphyry Cu deposit pursuit. It encountered strongly increased sulphide content and anomalous Cu mineralisation at the contacts of the intrusive with its bounding volcanic rocks – a pattern that needs to be followed both down-dip and along strike.

Exploration to date at Marmot Ridge has yielded a wide spread of anomalous Cu ± Mo ± Au zones together with a steadily increasing knowledge of the complex lithological relationships, alteration/mineralisation patterns, and structural controls that need to be fully understood in an episodic hydrothermal system of this type and scale. The large amount of geological and geochemical data collected at Marmot Ridge through 2008 is now being interpreted for integration into, and refinement of, the exploration model being used by KSO to generate ongoing drill targets.

Marmot Lodes: As fore-shadowed in the September quarterly, re-assay of large sections of drill core from the Marmot Lodes area has resulted in a broad up-grading of molybdenum values that has impacted on prospect interpretation. What was being focused on as narrow lode-style targets are now recognised as higher-grade probable remobilization structures within much broader zones of low-grade disseminated and fracture-hosted molybdenite (as demonstrated in table 1 below).

As at Marmot Ridge immediately to the south, the geological model for this prospect is now being re-examined in light not only of the re-assay data, but also of the considerable lithological, alteration and structural data collected from the 14 holes drilled to date. In

particular, attention is being given to the relationships between the broader Mo-mineralised zones intercepted in each hole and the possibility that they may represent the fault-disrupted outer margins of a larger and locally more strongly mineralised zone.

Table 1 Principal disseminated and fracture-hosted molybdenite zones

Drillhole No	Easting (UTM49N)	Northing (UTM49N)	Azimuth (Mag)	Inclination	From (m)	To (m)	Intercept (m)	Mo (ppm)
MR019	720700	4840800	180	-60	36.0	106.0	60.0	357
Including					40.0	42.0	2.0	6250
Including					48.0	50.0	2.0	1545
MR025	720600	4840800	180	-60	214.0	262.0	48.0	317
Including					224.0	226.0	2.0	4910
MR025	720600	4840800	180	-60	138.0	188.0	50.0	125
MR026	720700	4840900	180	-60	230.0	280.0	50.0	108
MR028	720500	4840800	180	-60	112.0	130.0	18.0	223
MR028	720500	4840800	180	-60	168.0	226.0	58.0	184
MR031	720300	4840800	180	-60	46.0	74.0	28.0	570
Including					68.0	72.0	4.0	3265

Molybdenite filming on fractures, diamond drill-hole MR025 (303.3m)

OTHER PROJECTS

Data analysis and reporting on the 2008 **Bu Dun Hua** (KSO 100%) diamond drill program is nearing completion. The drilling confirmed the presence of a strong alteration system disappearing under widespread colluvium and wind-blown sand cover. The

nature of the alteration and the presence of fragments of porphyry Cu style mineralisation in breccias encountered down-hole support the initial porphyry Cu-Au target concept. The distal nature of the fragmental volcanic sequences encountered, points to the need for follow-up exploration outward from the very limited area investigated by drilling to date.

Results from the trenching undertaken at **Wuritu** (KSO 100%) have provided the clearest evidence yet for an iron-oxide-copper association in this project area. In particular, the trench investigating strong Cu-in-soil anomalies coincident with IP anomaly WIP4, encountered anomalous values up to 0.15% Cu over 2m at the margins of a steeply-dipping 14m thick magnetite-hematite lens hosted in calc-silicate schists. This same association has been demonstrated at Malachite Ridge 1.6km southwest of this site and Cu-in-soil anomalies associated with hematite-stained outcrop have been noted further again to the west. The magnetite-hematite lenses at Wuritu occur within a 2km wide corridor extending the full 9.4km length of the tenement

Further detailed soil sampling at **Sonid North** (KSO 100%) has increased the areal extent of Au-in-soil anomalies constituting the Mystery and Sandflats prospects. In both instances clusters of >50ppb Au-in-soil values occur within zones that disappear under wind-blown sand cover.

GENERAL

The company's 2008 field season concluded with the onset of winter. A total of approximately 5,849m of diamond drilling was completed over the season as well as 1,379m of RC drilling.

At the end of the December Quarter, the Company had cash on hand of $4.079 Million.

Stephen McPhail
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The information on mineralisation contained in this announcement accurately reflects information compiled by A B Bell, BSc, F AusIMM(CP), Executive Director, a Competent Person (as defined by the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves), who has relevant experience in relation to such mineralisation and has consented to the inclusion of such information in this announcement.