King Solomon Mines Limited

QUARTERLY REPORT FOR THE PERIOD ENDED 30 JUNE 2011

HIGHLIGHTS

- **Discovery of significant gold-mineralised structures at Mud-house prospect, Sonid North.**
- **Recognition of widespread base-metal zonation at Bu Dun Hua porphyry Cu-Mo project.**

STRATEGIC SUMMARY

The company continued aggressive drill programs at its Sonid North gold and Bu Dun Hua porphyry copper projects over the quarter.

Sonid North

*Over the quarter, 3,277m in RC drilling (37 holes) and 1,705m in diamond drilling (9 holes) were completed at the **Mud-house** prospect. Strong encouragement was provided by 8 intercepts of 1 g/t+ Au from the diamond drilling. The best of these was 4m @ 11.3 g/t Au and 0.7m @ 8.0 g/t Au. This was supported by 27 intercepts of 1.5m+ wide ranging from 0.1 g/t – 0.99 g/t Au.*

Follow up diamond drilling of 3,200m is planned to start in early August.

Bu Dun Hua (BDH)

*A scout drilling program has been progressing at **Western Khan, Royal Mongol, Lao Ping Tong** and **Genghis** prospects. 4 holes have been completed and 3 holes are in progress. Assays from **Western Khan** show substantial (up to 220m) zones of Zn and Pb/Zn which appear likely to be part of haloes around the intrusive targets.*

2 holes currently in progress are showing stronger alteration and significantly more sulphide mineralisation than any preceding holes.

*A deep hole drilled at the **Whitehorse** prospect did not intersect significant Cu and Mo mineralisation. Prospectivity of other BDH targets is not adversely impacted by this.*

Completion of the scout drilling program is expected during the September quarter. Assay results are expected progressively through the quarter.

INTRODUCTION

King Solomon maintained an aggressive drilling program throughout the quarter. At Sonid North, RC, RAB and diamond drilling has yielded encouraging gold results resulting in the planning and imminent commencement of a second stage diamond drilling campaign. At Bu Dun Hua (BDH) one deep diamond hole and a series of shallower scout holes have resulted in a significant advance in understanding of the metal zoning complexities of this large mineralised system and the program remains ongoing.

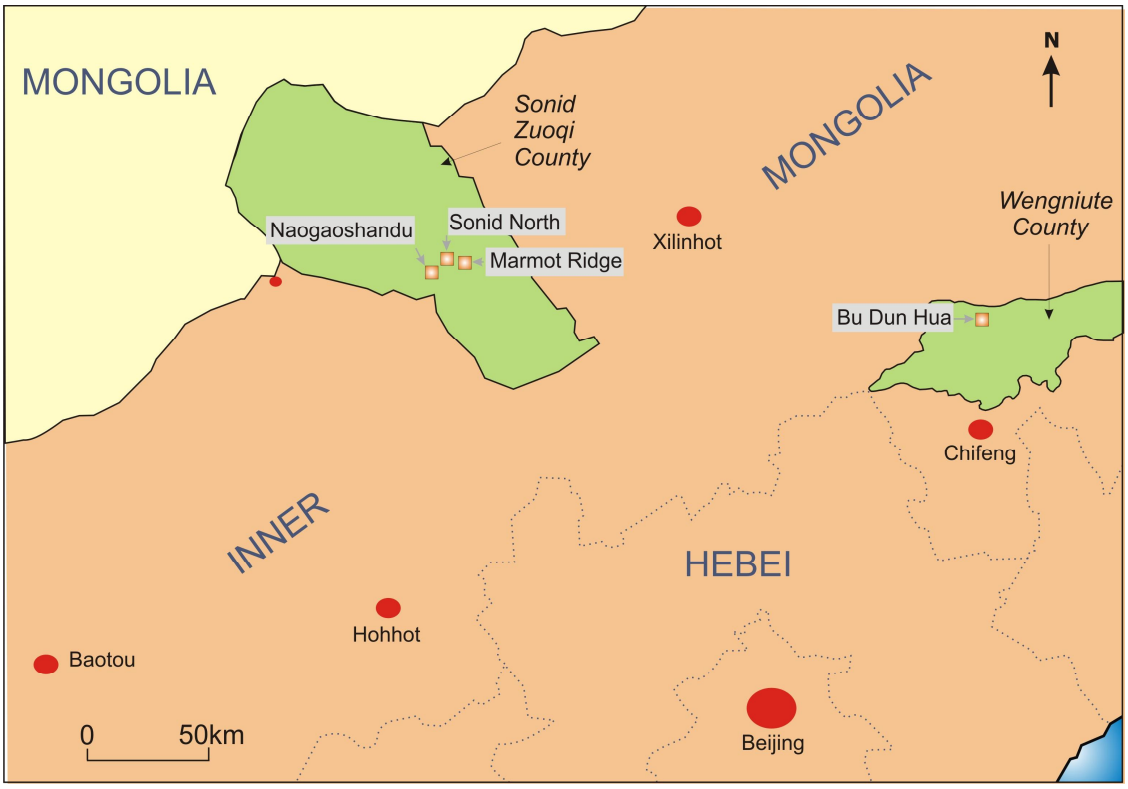

Fig 1. Project location map

SONID NORTH GOLD PROJECT (King Solomon 100%)

Encouraged by results from its first quarter drilling at Mud-house, King Solomon completed 27 RC drill-holes for 3,277m and 9 diamond drill-holes for 1,705m through the June quarter. In addition it undertook a short program of RAB drilling (84 holes for 909m) at Sandy Ridge, approximately 2.6km north of Mud-house.

The RC drilling yielded numerous gold ± arsenic ± silver mineralised intercepts within a corridor at least 1.8km long and from 100m to 140m wide. Diamond drilling within that corridor differentiated between weak gold-only zones and significant gold + arsenic ± silver mineralised structures. The latter are in the form of narrow (0.5m to 4.0m) breccias, vein-

veinlet networks, or shears. Because drill spacing is still very coarse, the number, continuity and attitude of these structures remains uncertain. There may be two orientations present viz. moderately south to south-southwest dipping and very steeply south to south-southwest dipping.

There have been 8 intercepts of 1.0g/t Au or better from 9 diamond holes (Table 1). Their weighted average grade is 4.79g/t Au and their average width is 1.9m. They are supported by 27 intercepts better than 1.5m wide in the range 0.10 to 0.99g/t Au.

Table 1 Diamond intercepts Ó1.0 g/t Au as at 30 June 2011

HOLE No.	FROM (m)	TO (m)	WIDTH (m)	Au (g/t)	Ag (g/t)	As (ppm)
SND002	40.6	42.2	1.6	2.64	1.1	217
	113.3	116.4	3.1	2.96	35.1	844
SND004	150.0	151.1	1.1	1.03	3.6	2150
	203.0	204.0	1.0	3.24	1.1	129
SND006	134.3	135.0	0.7	8.01	5.6	666
SND009	182.0	1860	4.0	11.30	2.4	305
	226.0	228.0	2.0	1.04	2.8	520
	272.0	274.0	2.0	1.82	<0.5	3540

(Released to the ASX on 4 July 2011)

The mineralised structures are hosted in foliated zones within a diorite intrusive that is traversed by a strongly silicified and strongly lead-zinc-anomalous rhyolite dyke. The 25m-40m wide dyke cuts obliquely across the roughly northwest-southeast corridor that constrains the gold mineralisation and dips moderately steeply to the south-southeast. All significant intercepts to date have been on the hanging wall side of this dyke. A gold-anomalous granite porphyry dyke has also been encountered in the hanging wall regime.

Table 2 Diamond drill-hole collar parameters

HOLE No.	EASTING (UTM49N)	NORTHING (UTM49N)	AZIMUTH (deg)	INCLINATION (deg)	DEPTH (m)
SND001	714062	4845148	45	55	77
SND002	714574	4845022	190	55	130
SND003	713925	4845015	45	60	117
SND004	714519	4844704	10	60	208
SND005	714297	4845171	180	60	314
SND006	714298	4845020	360	60	231
SND007	713997	4845086	45	50	200
SND008	713992	4845080	225	60	275
SND009	714528	4844752	10	50	360

(Released to the ASX on 4 July 2011)

As yet, the diamond drill section spacing is too coarse (from 190m to 600m lateral separations) to allow for reliable correlation between holes. A follow-up diamond program of eleven holes for 3,130m will be focused on in-fill of the larger open spaces in order to more

firmly establish the number and lateral continuity of the mineralised structures and probe further into their depth continuity. This drilling is planned to commence in early August.

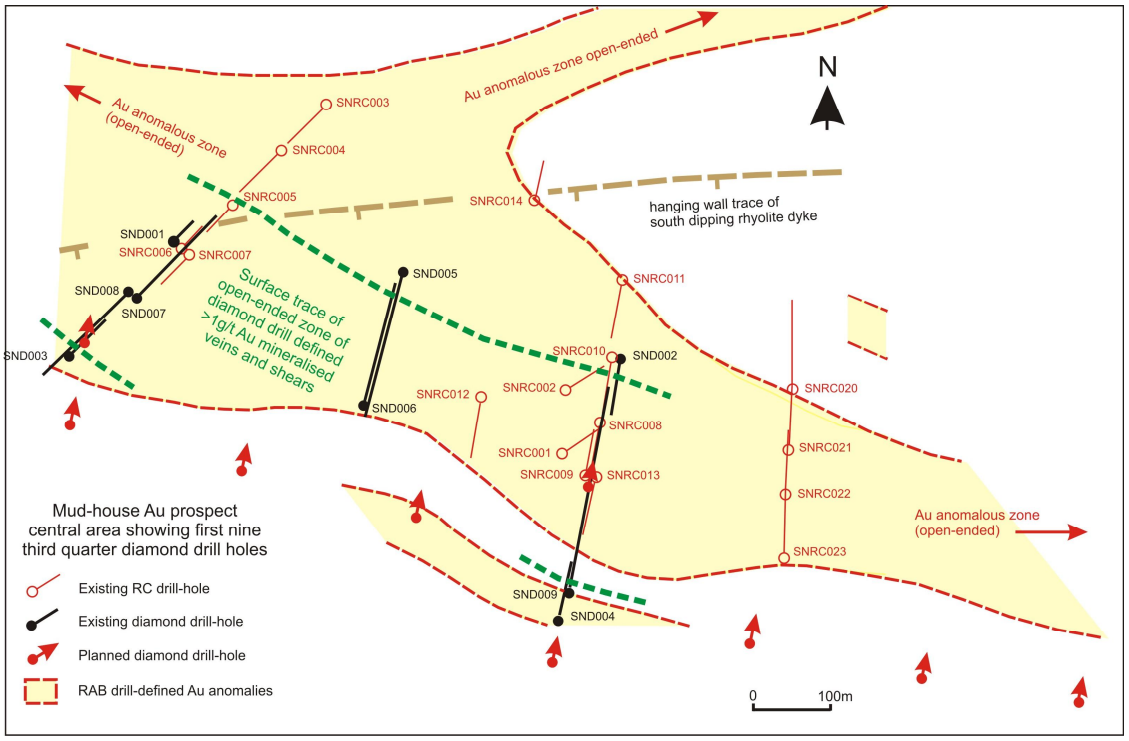

Fig 2 Mud-house prospect central section showing existing and planned drill-holes

At Sandy Ridge, approximately 2km north of Mud-house, RAB drilling of gold-in-soil anomalies has yielded a scatter of gold ± arsenic bedrock anomalies similar to those initially encountered at Mud-house. A small in-fill RAB/RC program is currently underway looking for indications of continuity that would merit scout diamond drilling.

BU DUN HUA PORPHYRY COPPER PROJECT (King Solomon 100%)

Whitehorse Porphyry

Activity at Whitehorse through the quarter was focused on a deep south-southeast oriented diamond drill-hole (BDH018) inclined at 60^{o} in order to establish the northern edge of the thumb-like Whitehorse intrusive complex before passing on to investigate its core at around 800m below surface. The hole passed through the northern edge, from phyllic altered felsic volcanic rocks to phyllic altered granitic porphyry intrusive rocks, at approximately 510m down-hole. The change was accompanied by the appearance of anomalous copper, lead and zinc values. Copper remained consistently anomalous, although not strongly so, to approximately 760m down-hole. It was accompanied by patchy lead and zinc anomalous zones and gradually increasing molybdenum values. From 760m to the end of the hole at 1,022m, the core yielded persistent weak to moderate molybdenum anomalies but only scattered and weakly anomalous copper zones. The decline in mineralisation was

accompanied by a relatively sharp decrease in key alteration minerals and the amount of fracturing/veining required for good mineralisation. A preliminary interpretation that the hole was running through a younger, post-mineralisation intrusive phase through the last 260m is awaiting confirmation via petrographic studies.

While the absence of a more strongly Cu-Mo mineralised zone at depth at Whitehorse has been disappointing, the reasons for its absence are explicable within standard porphyry copper models (Fig 3) and it has by no means reduced the broader prospectivity of the BDH intrusive complex.

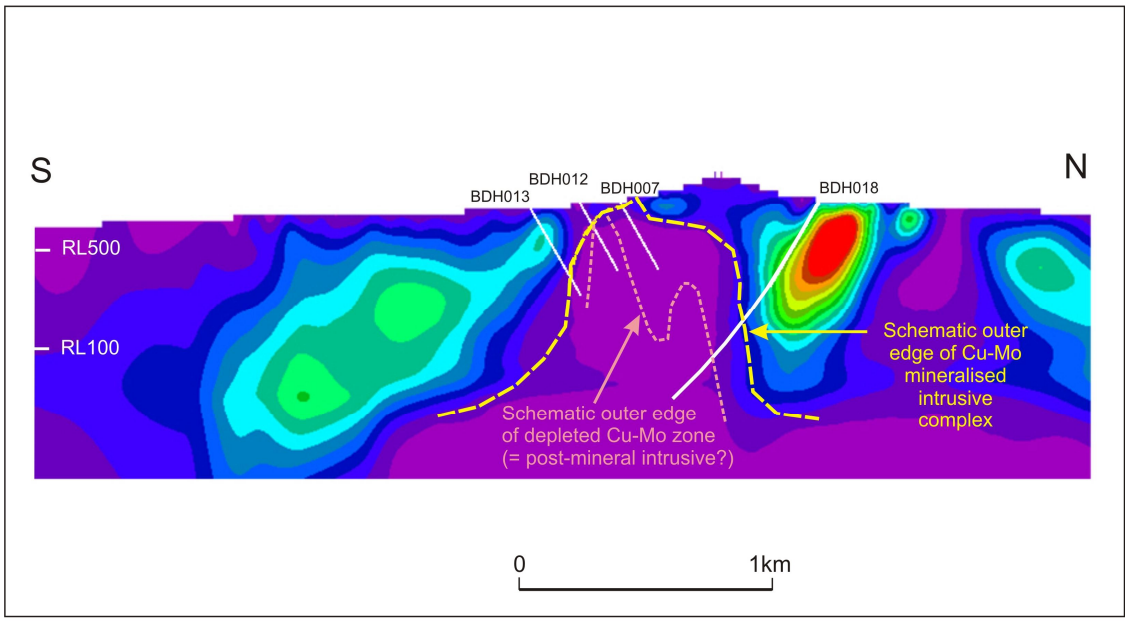

Fig 3 Schematic section showing zones of Cu-Mo anomalism and Cu-Mo depletion encountered in BDH018 on magnetic intensity background.

Other BDH Targets

King Solomon commenced a widespread scout diamond drilling program at BDH early in the quarter. By the end of the period, holes BDH019 (255m) BDH021 (347m) and BDH022 (444m) had been completed (Fig 4). BDH023 (332m) has subsequently been completed and holes BDH020, 024 and 025 remain in progress.

Results from BDH019 at Royal Mongol did not yield any indications of a mineralised porphyry in the immediate vicinity although transported fragments of well-mineralised porphyry were found in breccia intercepts.

BDH020 south of Lao Ping Tong is a second potential deep hole and is still in progress. It has been yielding encouraging signs (D-veining and sulphides) of being close to a mineralised porphyry. The hole is currently in altered felsic volcaniclastic rocks at a depth of 460m. Assay results to date have yielded broad zones of moderate to strong zinc ± lead anomalies

and scattered copper anomalies. This is similar to the geochemical environment surrounding the Whitehorse intrusive.

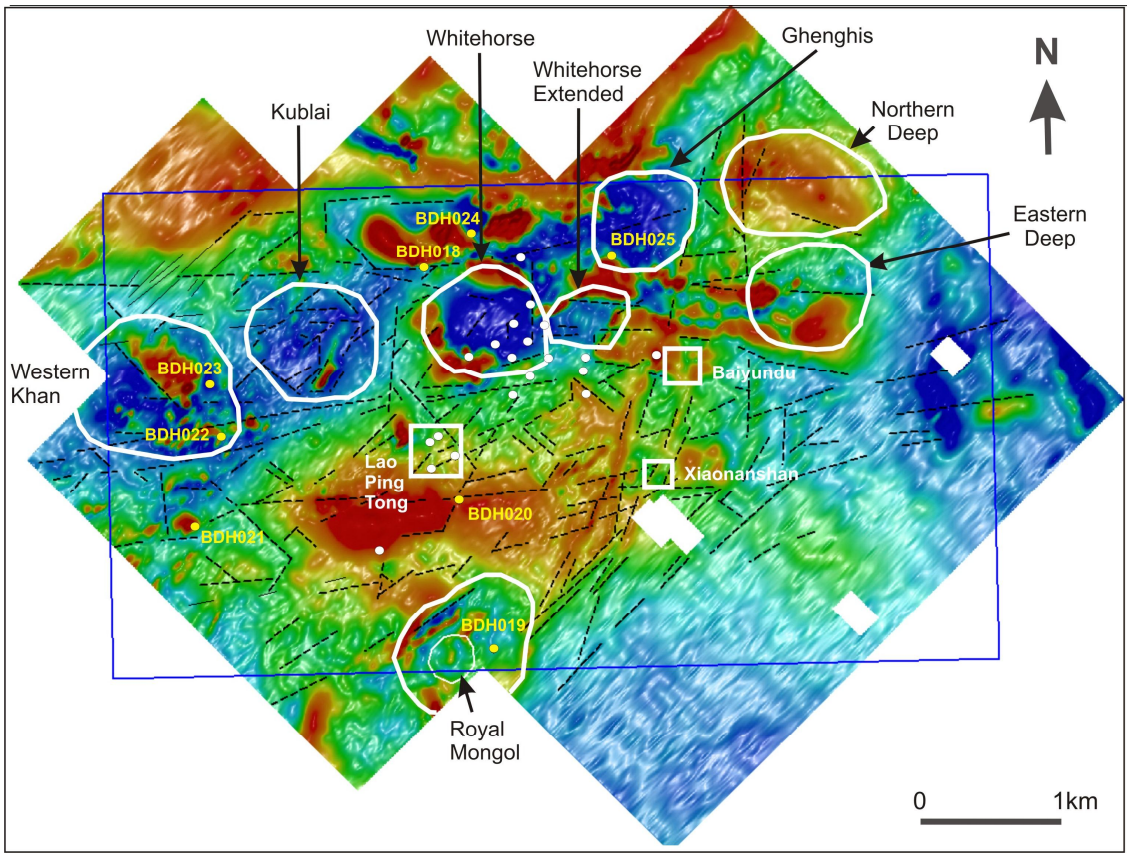

Fig 4 Potential porphyry targets and drill-holes completed or in progress July 2011

Two holes in the broader Western Khan area (BDH021 and 022) have yielded substantial zones (up to 220m) of strong zinc or zinc + lead anomalies. More of the same is anticipated when results from the nearby BDH023 are received. When examined in the framework of earlier holes at Lao Ping Tong and Whitehorse it appears likely that these are sections of large base metal haloes around the intrusive complex viz. an inner Zn+Pb halo and an outer Zn halo. Such zoning is common in porphyry Cu ± Mo ± Au deposits worldwide. Their distribution at BDH is so far, consistent with a 5+ sq km extent of the porphyry-associated alteration/mineralisation complex inferred from geological mapping, surface geochemical sampling and 3D magnetics.

Holes BDH024 to the north of Whitehorse and BDH025 on the edge of the Ghenghis target are still in progress. They are showing stronger alteration and are significantly more sulphide mineralised than any of the preceding holes.

BDH is a large project and drilling will continue for several months. Important holes at Kublai, Whitehorse Extended and Ghenghis are expected to be completed through the September quarter.

OTHER PROJECTS (King Solomon 100%)

The strong emphasis on drilling at Sonid North and Bu Dun Hua has precluded the undertaking of significant field activities on other KSO tenements. Re-evaluation of data from both Marmot and Naogaoshandu have continued nevertheless and drill program recommendations are likely.

GENERAL

At the end of the June Quarter, the Company had cash on hand of $4.1 Million.

Stephen McPhail
Managing Director

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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.

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