

KING SOLOMON MINES LIMITED

FINANCIAL REPORT

FOR HALF YEAR ENDED 30 SEPTEMBER 2009

	Page
Directors' Report	2-3
Condensed Consolidated Income Statement	4
Condensed Consolidated Statement of Movements in Equity	5
Condensed Consolidated Balance Sheet	6
Condensed Consolidated Cash Flow Statement	7
Notes to the Condensed Financial Statements	8-17
Auditor's Review	18

KING SOLOMON MINES LIMITED

DIRECTORS' REPORT

FOR HALF YEAR ENDED 30 SEPTEMBER 2009

Your directors have pleasure in presenting the interim financial report for the half year ended 30 September 2009.

DIRECTORS

The names of directors who held office during or since the end of the half year and until the date of this report are as below. Directors were in office for this entire period unless otherwise stated.

John C. Quinn (Non-Executive Chairman)

Stephen J. McPhail (Managing Director)

A. Bruce Bell (Executive Director)

Fu La (Executive Director)

Christopher D. Castle (Non-Executive Director)

REVIEW OF OPERATIONS

The net loss of the Group for the half year ended 30 September 2009 amounted \$563,852 (half year ended 30 September 2008: \$260,746)

EXPLORATION ACTIVITIES

The principal focus of the period has been at Bu Dun Hua where copper, molybdenum and gold mineralisation has been discovered.

Bu Dun Hua Copper-Gold project (100% KSO)

Following encouraging indications from 2008 drilling of the Lao Ping Tong prospect at Bu Dun Hua, KSO embarked upon a program of widely spaced drill-holes to test for bulk-mineable-style mineralisation under widespread sand cover. The second hole of the program encountered alteration and mineralisation characteristic of the outer edges of a porphyry Cu-Mo-Au system. A more closely spaced drill pattern was established and a further four holes over a distance of 600m and testing to depths of approximately 400m below surface, have yielded further visual encouragement. Full lab results will not be available until mid December.

Marmot Copper-Molybdenum project (100% KSO)

Drilling at Marmot was focussed on a large magnetic anomaly on the south side of Marmot Ridge. Tens of metre zones of persistently anomalous copper and gold were intersected. Follow up drilling is anticipated for the 2010 field season.

Naogaoshandu Gold project (100% KSO)

Trenching of strongly Au mineralised quartz veins at South Ridge and Three Eagles has shown that they lie within a corridor of alteration and persistent Au anomalism meriting drill-hole investigation. A follow-up program for the 2010 field season is currently being planned.

Wuritu Copper project (100% KSO)

An agreement with an iron-mining company operating in the area has resulted in an initial payment of \$59,000 to King Solomon in return for access to a small magnetite-hematite lens occurring on the property.

The information on mineralisation contained in this report 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 report.

KING SOLOMON MINES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	30 September 2009 Unaudited \$	30 September 2008 Unaudited \$
Other Income			
Dividend Income		387	397
Foreign Exchange Gain		-	126,513
Gain on Sale from Exploration Licences		98,176	-
Interest Received		62,472	138,709
Lease Income		23,479	-
Total Other Income		<u>184,514</u>	<u>265,619</u>
Expenses			
Amortisation		1,296	1,264
Depreciation		10,534	19,342
Directors' Fees		42,482	50,025
Share Option Expense		10,688	-
Employee Benefits Expense		16,053	17,543
Foreign Exchange Loss		351,725	-
Office Expenses		76,760	100,469
Professional Fees		130,338	186,555
Other Expenses		108,376	138,784
Write Off of Exploration Expenditure	3, 6	-	12,260
Total Expenses		<u>748,252</u>	<u>526,242</u>
Loss before Tax		(563,738)	(260,623)
Income Tax Expense		114	123
Loss attributable to the Owners of the Company		(563,852)	(260,746)
Other Comprehensive Income			
Currency Translation Differences		(328,679)	365,848
Total Comprehensive Income net of tax attributable to Owners of the Company		<u>(892,531)</u>	<u>105,102</u>
		\$/share	\$/share
Loss Per Share			
Basic Loss per Share		(0.01)	(0.00)
Diluted Loss per Share		(0.01)	(0.00)

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

KING SOLOMON MINES LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

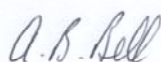
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	Share Capital \$	Share Options \$	Foreign Currency Translation Reserve \$	Accumulated Loss \$	Total Shareholder Funds \$
Equity as at 1 April 2008		11,502,308	430,695	(85,915)	(2,962,541)	8,884,547
Currency Translation Differences		-	-	365,848	-	365,848
Loss for Period		-	-	-	(260,746)	(260,746)
Total Comprehensive Income for the Period		-	-	365,848	(260,746)	105,102
Equity as at 30 September 2008		11,502,308	430,695	279,933	(3,223,287)	8,989,649
Equity as at 1 April 2009		11,502,308	430,695	851,711	(5,043,595)	7,741,119
Currency Translation Differences		-	-	(328,679)	-	(328,679)
Loss for Period		-	-	-	(563,852)	(563,852)
Total Comprehensive Income for the Period		-	-	(328,679)	(563,852)	(892,531)
Options Issued	7	-	10,688	-	-	10,688
Options Expired	7	40,813	(40,813)	-	-	-
Equity as at 30 September 2009		11,543,121	400,570	523,032	(5,607,447)	6,859,276

The above statement of changes in equity should be read in conjunction with the accompanying notes.

KING SOLOMON MINES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2009

	Note	30 September 2009 Unaudited \$	31 March 2009 Audited \$	30 September 2008 Unaudited \$
SHAREHOLDERS' FUNDS				
Share Capital	7	11,543,121	11,502,308	11,502,308
Share Options	7	400,570	430,695	430,695
Foreign Currency Translation Reserve		523,032	851,711	279,933
Accumulated Losses		(5,607,447)	(5,043,595)	(3,223,287)
		-----	-----	-----
TOTAL FUNDS EMPLOYED		6,859,276	7,741,119	8,989,649
		=====	=====	=====
REPRESENTED BY:				
CURRENT ASSETS				
Cash and Cash Equivalents	5	3,101,376	3,931,078	4,457,306
Prepayments		18,212	29,486	66,098
Other Receivables - Related Parties	12	8,568	35,861	19,672
Other Receivables - Tax on Interest		91,620	150,993	166,863
Other Receivables - Other		83,159	129,721	190,689
		-----	-----	-----
Total Current Assets		3,302,935	4,277,139	4,900,628
CURRENT LIABILITIES				
Accounts Payable - Related Parties	12	(42,092)	(40,881)	(64,611)
Accounts Payable - Other		(196,374)	(93,198)	(279,586)
		-----	-----	-----
Total Current Liabilities		(238,466)	(134,079)	(344,197)
		-----	-----	-----
NET CURRENT ASSETS		3,064,469	4,143,060	4,556,431
NON CURRENT ASSETS				
Property Plant and Equipment		422,135	530,292	378,066
Intangible Assets		792	3,597	6,294
Exploration and Evaluation Assets	6	3,371,880	3,064,170	4,048,858
		-----	-----	-----
Total Non Current Assets		3,794,807	3,598,059	4,433,218
		-----	-----	-----
NET ASSETS		6,859,276	7,741,119	8,989,649
		=====	=====	=====



Bruce Bell **Director** 2 December 2009



Stephen McPhail **Director** 2 December 2009

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

KING SOLOMON MINES LIMITED
STATEMENT OF CASHFLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

	Note	30 September 2009 Unaudited \$	30 September 2008 Unaudited \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was received from:			
Interest		66,417	133,154
Dividends		273	274
Lease		56,350	-
Withholding-tax on Interest		92,005	-
		<u>215,045</u>	<u>133,428</u>
Cash was applied to:			
Payments to suppliers		384,878	159,629
Withholding-tax on Interest		32,631	40,384
		<u>417,509</u>	<u>200,013</u>
Net cash flow - Operating activities	10	(202,464)	(66,585)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was received from:			
Sale of Licence Area		187,832	-
		<u>187,832</u>	<u>-</u>
Cash was applied to:			
Purchase of Property Plant and Equipment		45,728	104,515
Exploration Expenditure		539,648	1,797,208
		<u>585,376</u>	<u>1,901,723</u>
Net cash flow - Investing activities		(397,544)	(1,901,723)
Net cash flows from all activities		(600,008)	(1,968,308)
Cash at Beginning of Year		3,931,078	6,299,101
Exchange (Losses) / Gains on Cash Balances		(229,694)	126,513
Cash at End of Year		<u>3,101,376</u>	<u>4,457,306</u>
Represented by:			
Cash on hand and at Bank	5	972,361	793,108
Short Term Bank deposits	5	2,129,015	3,664,198
Cash at End of Year	5	<u>3,101,376</u>	<u>4,457,306</u>

The above cash flow statements should be read in conjunction with the accompanying notes.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

1. GENERAL INFORMATION

These financial statements are presented in Australian Dollars being the Group's presentation currency unless otherwise noted.

King Solomon Mines Limited ('the Company') and its subsidiary (together 'the Group') were incorporated for the purpose of exploring and developing gold, copper and other metallic deposits in China and are profit oriented entities.

The Company is a limited liability company incorporated on 28 January 2003 and domiciled in New Zealand. The address of its registered office is 3 Mutu Road, Paekakariki.

The financial statements of the Group have been prepared on a going concern basis. The Directors anticipate that King Solomon Mines Limited, as an exploration entity, will be required to raise additional capital in the future to continue as a going concern.

These condensed consolidated financial statements were approved by the Board of Directors on 2 December 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The half yearly financial report does not include all notes of the type normally included within the annual financial report and therefore can not be expected to provide as full an understanding of the financial performance, financial position and financing activities of the Group as the full financial report. Accordingly, this report should be read in conjunction with the Annual Financial Report of King Solomon Mines Limited for the year ended 31 March 2009.

The principal accounting policies applied in the preparation of these condensed consolidated financial statements of the Group are the same as those followed in the Annual Report for the year ended 31 March 2009 except as described below.

Basis of preparation

The condensed consolidated financial statements of the Group have been prepared in accordance with IAS 34 and NZ IAS 34 which deal with Interim Financial Reporting, and follow Generally Accepted Accounting Practice in New Zealand.

The condensed consolidated financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993, and should be read in conjunction with the annual financial statements for the year ended 31 March 2009, which have been prepared in accordance with NZ IFRSs.

Accounting Policies

The following new standards are mandatory for the first time for the financial year beginning 1 April 2009.

NZ IAS 1 (revised), 'Presentation of financial statements'.

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income).

The Group has elected to present one statement: a statement of comprehensive income. These condensed consolidated financial statements have been prepared under the revised disclosure requirements.

NZ IFRS 8, 'Operating segments'.

NZ IFRS 8 replaces NZ IAS 14, 'Segment reporting'. It requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a decrease in the number of reportable segments presented, as management's one focus is to explore and develop gold, copper and other metallic deposits using the Group resources (primarily cash) to support that activity. Geographical reporting to management is minimal other than for currency of each cash investment.

This operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the King Solomon Mines Limited Board as it makes the strategic decisions.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances.

During the year ended 31 March 2009, historical impairment losses recognised in respect of the Amoyitele prospect were reversed. This reversal was recognised on the basis of a sale of the exploration licence during the period ended 30 September 2009 that occurred prior to signing the 31 March 2009 financial statements.

The review of capitalised exploration expenditure at 30 September 2009 did not result in a write off for impairment (31 March 2009: \$2,165,365), 30 September 2008: \$12,260). Write offs reflect exploration results and commodity market conditions that do not justify the carrying value of exploration costs. The carrying value of exploration and evaluation assets after the impairment is considered to be recoverable through future development or sale and is based on expected sales prices.

4. SEGMENT INFORMATION

Management has determined the operating segment based on the reports reviewed by The King Solomon Mines Limited Board which is responsible for making strategic decisions.

As at 30 September 2009, the Group is organised into one main business segment; the activity of exploring and developing gold, copper and other metallic deposits.

As there is only one main segment as at 30 September 2009 the disclosures on the face of the Statement of Comprehensive Income and the Statement of Financial Position represent the Group's one business segment.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Geographical Information:

The Group operates its business of exploration in China with the bulk of the administrative functions being performed in New Zealand and Australia.

This is demonstrated by the geographical breakdown of non-current assets shown in total on the Statement of Financial Position:

	New Zealand \$	China \$	Consolidated \$
30 September 2008			
Property Plant and Equipment	31,073	346,993	378,066
Intangible Assets	6,294	-	6,294
Exploration and Evaluation Assets	-	4,048,858	4,048,858
Total Non Current Assets	<u>37,367</u>	<u>4,395,851</u>	<u>4,433,218</u>
31 March 2009			
Property Plant and Equipment	25,607	504,685	530,292
Intangible Assets	3,597	-	3,597
Exploration and Evaluation Assets	-	3,064,170	3,064,170
Total Non Current Assets	<u>29,204</u>	<u>3,568,855</u>	<u>3,598,059</u>
30 September 2009			
Property Plant and Equipment	17,555	404,580	422,135
Intangible Assets	792	-	792
Exploration and Evaluation Assets	-	3,371,880	3,371,880
Total Non Current Assets	<u>18,347</u>	<u>3,776,460</u>	<u>3,794,807</u>

5. CASH AND CASH EQUIVALENTS

	30 September 2009 Unaudited \$	31 March 2009 Audited \$	30 September 2008 Unaudited \$
Cash	260	490	901
Cash at Bank	972,101	667,875	792,207
Short Term Bank Deposits	2,129,015	3,262,713	3,664,198
	<u>3,101,376</u>	<u>3,931,078</u>	<u>4,457,306</u>

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

6. EXPLORATION AND EVALUATION INCOME AND EXPENDITURE

The Group is still in the exploration phase of its operations in China, as such all exploration and evaluation expenditure incurred since the grant of a business licence has been capitalised as exploration phase expenditure. This capitalisation is subject to continuous critical review.

As at 30 September 2009 the amount of liabilities arising from the exploration for and evaluation of mineral resources is \$115,366 (30 September 2008: \$243,098, 31 March 2009 \$64,597).

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

	30 September 2009 Unaudited 6 Months \$	31 March 2009 Audited 12 Months \$	30 September 2008 Unaudited 6 Months \$
<u>Exploration phase:</u>			
Opening Balance	3,064,170	2,207,319	2,207,319
Foreign Exchange on Opening Balance	(255,379)	448,366	172,654
Expenditure incurred during the Period	652,745	2,495,363	1,681,145
Expenditure written off during the Year (Refer note 3)	-	(2,165,365)	(12,260)
Amoyitele expenditure written off due to sale	(89,656)	-	-
Reversal of Prior Period Impairment (Refer note 3)	-	78,487	-
Closing Balance	3,371,880	3,064,170	4,048,858

The exploration and evaluation expenditure has been allocated across the following prospects:

Prospect	30 September 2009 Unaudited \$	31 March 2009 Audited \$	30 September 2008 Unaudited \$
Sonid North	107,326	98,454	74,811
Naogaoshandu	572,988	461,815	313,886
Beyinhar North	307,129	300,000	426,130
Marmot	1,626,610	1,500,000	2,133,886
Wuritu	222,919	200,000	245,537
Amoyitele	-	103,901	-
Bu Dun Hua	534,908	400,000	854,608
Total Exploration and Evaluation Expenditure	3,371,880	3,064,170	4,048,858

The Amoyitele exploration licence owned by Inner Mongolia Plate Mining Limited was sold on 21 May 2009 for 1,000,000 Chinese Yuan (approximately \$188,000) and the impairment of \$78,487 previously recognised against this licence was written back at 31 March 2009 as no longer required.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Operating Lease

Inner Mongolia Plate Mining Limited as lessor granted a lease on 26th May 2009 for the mining of iron ore in the Wuritu exploration licence for a period of two years commencing 1st July 2009. The annual lease payment for the first year is 500,000 Chinese Yuan (approximately \$94,000) and the annual lease payment for the second year will be based on the market conditions prevailing at the time.

7. SHARE CAPITAL

Issued Share Capital

Issued share capital is represented by:

	30 September 2009 Unaudited	31 March 2009 Audited	30 September 2008 Unaudited
Issue Price (\$)	11,543,121	11,502,308	11,502,308
Number of Shares	90,775,040	90,775,040	90,775,040
Average Issue Price (\$ per share)	0.13	0.13	0.13

Options issued to the lead broker (Cameron Sharebrokers Limited) who facilitated the float on 18 April 2007 expired 18 April 2009 and the cost of the options previously held as part of the Share Option Reserve has been transferred to Issued Capital.

All shares are fully paid and rank equally with regard to voting rights and distribution of profit.

Share Options

Options are currently issued to directors and two employees.

Options exercisable as at balance date are as follows:

	Expiry date	*	30 September 2009		31 March 2009		30 September 2008	
			Average exercise price in \$A per share Unaudited	Options Unaudited	Average exercise price in \$A per share Audited	Options Audited	Average exercise price in \$A per share Unaudited	Options Unaudited
Brought Forward	4 May 2011	*	0.30	6,279,999	0.30	6,279,999	0.30	6,279,999
Brought Forward	18 April 2009		0.25	500,000	0.25	500,000	0.25	500,000
Granted	29 July 2014	**	0.10	3,100,000	-	-	-	-
Forfeited			-	-	-	-	-	-
Exercised			-	-	-	-	-	-
Lapsed	18 April 2009		0.25	(500,000)	-	-	-	-
			<u>0.23</u>	<u>9,379,999</u>	<u>0.30</u>	<u>6,779,999</u>	<u>0.30</u>	<u>6,779,999</u>

* Full participation in future dividends

** No participation in future dividends until exercised

At the 31 March 2008 Annual General Meeting, an employee share option scheme was adopted. This resolution enabled the board to issue shares and options to acquire ordinary shares.

Under that resolution 400,000 options were approved by the Board to two selected employees.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

In addition at the 31 March 2009 Annual General Meeting held 29 July 2009, shareholders passed a resolution authorising the Board to grant 900,000 options to each the executive directors being Stephen McPhail, Bruce Bell and Fu La or 2,700,000 options in total to executive directors.

Both sets of options were issued under the employee share purchase scheme on 31 August 2009 and will vest 33% on 29 July 2010, 33% on 29 July 2011 and 34% on 29 July 2012.

The exercise price for these options will be \$A0.10 per share.

These options have an expiry date of 29 July 2014.

The fair value per option granted determined using the binomial valuation model was \$A0.0643 per option giving a total fair value for all of the options granted of \$A199,330. The significant inputs into the model were share price of \$A0.08 at the issue date, exercise price and option life disclosed above, annual risk-free interest rate of 4.92% and an expected dividend yield of nil. The expected future share price volatility is 120% and is based on an analysis of seven listed Australian mining companies.

As the options will vest in the future, the option expense is only partially recognised in this accounting period. The remaining expense is being treated as a commitment and recorded in note 11.

Ordinary shares have no par value.

8. INVESTMENT IN SUBSIDIARIES

Name of Subsidiary	Principal Activity	Equity Holding		
		30 September 2009 Unaudited	31 March 2009 Audited	30 September 2008 Unaudited
Inner Mongolia Plate Mining Co Limited	Exploration	90%	90%	90%
Chifeng Tianfeng Mineral Co. Limited	Exploration	-	-	85%

On 8 March 2006, King Solomon Mines Limited and Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited signed an agreement to form Inner Mongolia Plate Mining Co Limited, a sino foreign equity joint venture of which King Solomon Mines Limited owns 90% and Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited holds 10% in trust for King Solomon Mines Limited due to Chinese regulatory requirements.

As King Solomon Mines Limited effectively owns 100% of this subsidiary and retains all the risks and rewards of ownership, the Group has not accounted for any minority interest. Inner Mongolia Plate Mining Co Limited has a balance date of 31 December in line with Chinese regulatory requirements.

Inner Mongolia Plate Mining Co Limited entered into an agreement on 25 May 2007 to acquire 85% of the shares in Chifeng Tianfeng Mineral Co. Limited, whose sole assets were 3 exploration licences in the Chifeng mineral district of Inner Mongolia. The remaining 15% was held by King Solomon Mines Limited director Fu La under a trust agreement for King Solomon Mines Limited. The total cost was 2,500,000 Chinese Yuan or \$387,921. The purchase price was allocated to the 3 exploration licences owned by Chifeng Tianfeng Mineral Co. Limited.

These licences were for the Bu Dun Hua prospect and 2 secondary prospects Wang Jia Ying Zi (“WJYZ”) and Dong Gou Zi (“DGZ”). Evaluation of the WJYZ and DGZ prospects confirmed they appear unlikely to host major deposits. As they did not fit with the Company’s strategy of having large scale potential, the shares in Chifeng Tianfeng Mineral Co. Limited were sold in March 2009 for 1,000,000 Chinese Yuan or \$213,712. A

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

condition of this sale required the exploration licence for the Bu Dun Hua prospect to be transferred to Inner Mongolia Plate Mining Co Limited. This occurred in April 2009.

9. EARNINGS PER SHARE

	30 September 2009 Unaudited \$	30 September 2008 Unaudited \$
Loss attributable to owners of the Company	(563,852)	(260,746)
Weighted average number of ordinary shares on issue	90,775,040	90,775,040
Basic earnings per share (\$ per share)	(0.01)	(0.00)
Diluted earnings per share (\$ per share)	(0.01)	(0.00)

The Group recorded losses for the periods presented. Diluted losses per share have not been calculated as the effect of including the share options would be anti-dilutive. Hence the diluted earnings per share is the same as the basic earnings per share.

10. RECONCILIATION OF FINANCIAL PERFORMANCE AND OPERATING CASH FLOW

	30 September 2009 Unaudited \$	30 September 2008 Unaudited \$
Loss attributable to owners of the Company	(563,852)	(260,746)
Non Cash Items		
Amortisation	1,296	1,264
Depreciation	10,534	19,342
Share Options	10,688	-
Foreign Exchange	351,725	239,335
Write Off of Exploration Expenditure	-	12,260
Movement in Working Capital		
Other Receivables - Related Parties	27,293	(4,370)
Other Receivables - Tax on Interest	59,373	(40,384)
Other Receivables - Other	46,562	(126,074)
Prepayments	11,274	38,614
Accounts Payable - Related Parties	1,211	(3,228)
Accounts Payable - Other	103,176	113,992
Items classified as Investing Activities		
Increase in Accounts Payable for Exploration	(73,912)	(56,590)
Sale of Exploration License	(187,832)	-
Net Cash used in Operating Activities	(202,464)	(66,585)

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

11. COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The Company and Group leases property in New Zealand and China and has entered into four non cancellable operating leases terminating between 31 May 2010 and 1 April 2013. The lease expiring in New Zealand on 31 May 2010 has an automatic right of renewal for a further 2 years. In addition, the Group has the first call when its leases come up for renewal in China.

On 1 January 2009, Bodhi Svaha Holdings Limited, Selwyn Geosurveys Limited and Inner Mongolia Ao Meng Xin Economic and Trade Co Limited agreed to reduce their respective fees due under their services agreements with the Company by 20%. Under these services agreements, they respectively provide the services of Stephen McPhail, Bruce Bell and Fu La.

Payment of the forgone services fees incurred remains contingent on a change in circumstances for the Company defined to be any of the following events:

- a) Control Event taking place
- b) Termination by the Company of a Services Agreement without cause
- c) The Company having at least \$7,500,000 in cash or cash equivalent

A Control Event includes

- 1) A person securing control of 40% of voting rights in the Company
- 2) Sale of the Company or all of its assets
- 3) Merger of the Company with another party

Accordingly the amount shown below has not been recognised as a liability in these accounts but is instead recorded as a contingency.

Services agreement fee to Bodhi Svaha Holdings Limited	\$ 27,000
Services agreement fee to Selwyn Geosurveys Limited	\$ 31,500
Services agreement fee to Inner Mongolia Ao Meng Xin Economic and Trade Limited	\$ 22,500

In addition as recorded in note 7, the Company has issued 3,100,000 options to executive directors and selected employees. Option valuation was calculated at \$199,330 of which \$10,688 has been expensed. Options will be expensed in the periods in which the options vest.

The Group had no other commitments, nor contingent assets or liabilities at 30 September 2009 (30 September 2008: \$A95,000).

12. TRANSACTIONS WITH RELATED PARTIES

King Solomon Mines Limited provided funds to Inner Mongolia Plate Mining Limited, a subsidiary of King Solomon Mines Limited, as share capital and advances.

Payment for consulting fees and reimbursement of expenses was made to Stephen McPhail (Director and Shareholder), to Bodhi Svaha Holdings Limited and Black Box Spatial Limited being companies in which Stephen McPhail has an interest.

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

Payments for consulting fees and reimbursement of expenses were made to Selwyn Geosurveys Limited (2008: Selwyn Management Limited) and Black Box Spatial Limited being companies in which Bruce Bell (Director and Shareholder) has an interest.

Payment of consulting fees and reimbursement of expenses was made to Fu La (Director and Shareholder) and to Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited being a company in which Fu La has an interest.

Payment of director fees and expenses were made to John Quinn (Director and Shareholder) and to Widespread Limited (Shareholder) for Chris Castle (Director).

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

Payment for accounting fees was made to Michael Wilcox (Shareholder).

RELATED PARTY EXPENDITURE	30 September 2009 Unaudited 6 Months \$	31 March 2009 Audited 12 Months \$	30 September 2008 Unaudited 6 Months \$
Directors			
Black Box Spatial Limited	5,055	16,431	10,230
Bodhi Svaha Holdings Ltd	68,120	193,784	103,634
Bruce Bell	-	-	13
Fu La	9,176	90,379	28,693
Inner Mongolia Ao Meng Xin Economic and Trade Co. Limited	60,000	142,500	75,000
John Quinn	29,666	82,131	43,454
Selwyn Geosurveys Ltd	106,363	216,108	133,063
Stephen McPhail	2,218	1,541	587
Widespread Limited	16,855	37,946	19,709
Shareholders			
Di Anna	30,227	57,347	37,854
Michael Wilcox	22,531	47,552	20,907
	<u>350,211</u>	<u>885,719</u>	<u>473,144</u>

KING SOLOMON MINES LIMITED

NOTES TO THE CONDENSED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2009

OWING TO RELATED PARTIES	30 September 2009 Unaudited \$	31 March 2009 Audited \$	30 September 2008 Unaudited \$
Directors			
Bodhi Svaha Holdings Ltd	12,231	10,704	16,958
Bruce Bell	-	245	246
Chris Castle	353	-	-
John Quinn	567	-	-
Selwyn Geosurveys Ltd	16,630	18,597	22,708
Stephen McPhail	-	355	-
Shareholder			
Di Anna	901	-	-
Michael Wilcox	11,410	10,980	24,699
	<u>42,092</u>	<u>40,881</u>	<u>64,611</u>

OWING BY RELATED PARTIES	30 September 2009 Unaudited \$	31 March 2009 Audited \$	30 September 2008 Unaudited \$
Directors			
* Bruce Bell	1,644	1,651	9,076
Stephen McPhail	-	-	117
* Fu La	6,924	34,210	7,584
Selwyn Geosurveys	-	-	1,659
Shareholder			
* Di Anna	-	-	1,236
	<u>8,568</u>	<u>35,861</u>	<u>19,672</u>

* These represent advances for exploration expenditure.

13. FEES TO AUDITORS

Fees payable to the auditors for the review of the financial statements for the six months to 30 September 2009 amounted to \$14,524 (30 September 2008: \$16,780)

14. SUBSEQUENT EVENTS

There are no subsequent events for this period.

Accountants' Report

To the shareholders of King Solomon Mines Limited

We have reviewed the condensed financial statements on pages 4 to 17. The condensed financial statements provide information about the past financial performance and cash flows of the Group for the period ended 30 September 2009 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 8 to 9.

This report is made solely to the Company's shareholders, as a body. Our review has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

Directors' Responsibilities

The Group's Directors are responsible for the preparation and presentation of the condensed financial statements which present fairly the financial position of the Group as at 30 September 2009 and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibilities

We are responsible for reviewing the condensed financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the condensed financial statements do not present fairly the matters to which they relate.

Basis of Opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the condensed financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the condensed financial statements of the Group for the period ended 30 September 2009 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Group other than in our capacity as accountants conducting this review.

Review Opinion

Based on our review, nothing has come to our attention that causes us to believe that the condensed financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 30 September 2009 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 2 December 2009 and our review opinion is expressed as at that date.

PricewaterhouseCoopers