



## King Solomon Mines Limited

### QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2010

#### HIGHLIGHTS

- **Petrographic studies of core samples support deep drilling of Whitehorse Cu-Mo porphyry at Bu Dun Hua.**
- **High resolution magnetics reveals major structural zone hosting six new drill targets along strike from Whitehorse.**
- **Mud-house re-assaying significantly enhances prospect attraction.**

#### ***STRATEGIC SUMMARY***

*The company was focused through the quarter on analysis and interpretation of the large amount of data generated from drilling and surveys at Sonid North (Mud-house prospect) gold project and Bu Dun Hua porphyry copper project.*

*Final results from the magnetic survey at Bu Dun Hua received mid-January have revealed a major zone hosting at least 6 new drill targets along strike from the Whitehorse prospect. Interpretation of drilling and other data at Whitehorse has also confirmed a deeper target below drilling to date. Drill testing of this deeper target is planned for the start of the field season in March. Drill testing of several of the other Bu Dun Hua targets is planned for early in the field season.*

*In December, it was announced that re-assaying of samples from the Mud-house drill results had resulted in an 11% upgrade of the contained gold. A magnetic survey will be undertaken at Mud-house to support further drill testing of the prospect. Drilling is planned to start in March.*

*The next quarter will see the start of aggressive drilling programs at both the Mud-house gold prospect and the multiple targets at the Bu Dun Hua copper project.*

## INTRODUCTION

The December quarter saw closure of the 2010 field season and a shift of focus onto processing, plotting and interpreting the large amount of data collected through the season. Particular emphasis has been placed on the BDH and Sonid North projects where the Whitehorse and Mud-house prospects respectively have yielded very positive results.

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

#### **Whitehorse Porphyry**

Petrographic studies have been completed on drill-core specimens from the five 2010 diamond drill-holes into or peripheral to the strongly sulphide-mineralised Whitehorse Cu-Mo porphyry. The studies have indicated that:

- Drilling at Whitehorse has not yet reached the top of the prospective main Cu-Mo mineralised zone. The alteration (quartz-sericite-pyrite) encountered in the holes completed to date is of a style (phyllic zone) commonly found above and/or peripheral to the main mineralisation (potassic zone) in porphyry Cu deposits. There are indications that the company's deepest holes (reaching 430m below surface) may be getting close to the interface between the zones.
- The more encouraging intercepts of Cu-Mo mineralisation encountered in the drill-holes to date include fragments of potassic zone mineralisation transported via breccia columns from deeper levels of the system.
- Other indications that drilling to date has been restricted to a relatively high level in the system include the presence of locally strong Pb-Zn mineralisation and the fine grain-size of the porphyry. The more strongly Cu-mineralised breccia fragments are typically coarser-grained implying that they have been transported from deeper levels in the system.

With these observations in mind and given the new magnetic profile of the Whitehorse intrusive (Rf. General Exploration and Figure 3 below) the company's geological team has planned two 1,000m diamond drill-holes to under-cut the most encouraging of the shallower holes drilled to date.

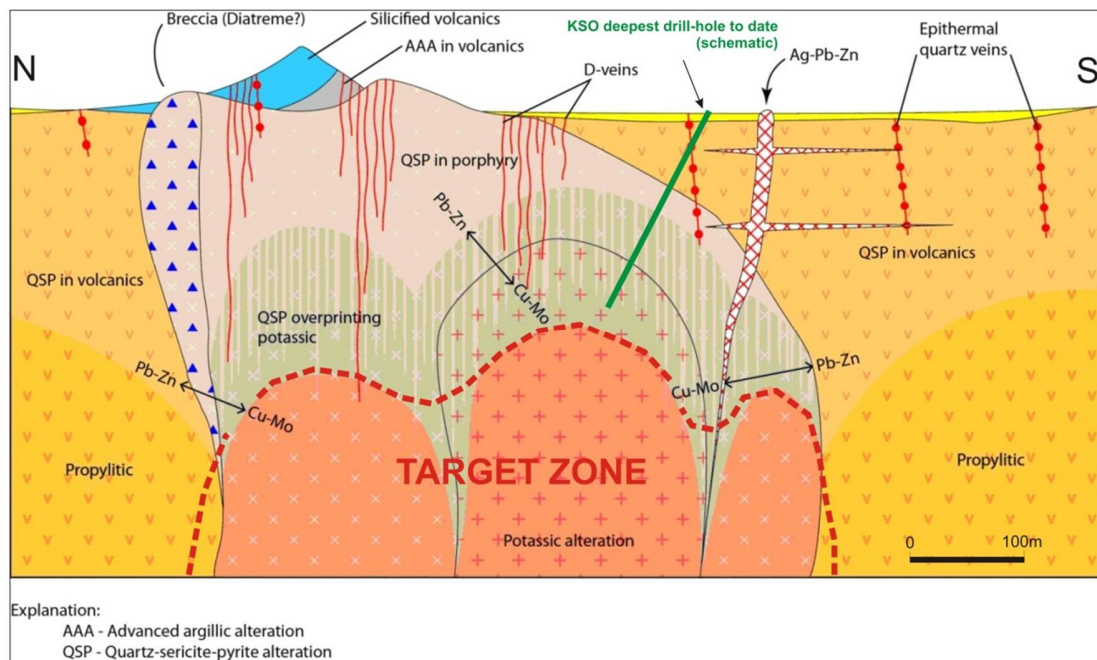


Figure 1 – showing current exploration model, Whitehorse Cu-Mo prospect. The potassic alteration zone is the principal mineralisation target.

### Extended Bu Dun Hua Exploration (BDH)

Exploration to mid-2010 at BDH had been largely limited to the Whitehorse area and its immediate environs. It was decided to extend exploration more broadly over the tenement. In September 2010, a high resolution magnetic survey was carried out.

The survey has provided critical new data for King Solomon's exploration management team. It has defined the major geological structures traversing the tenement and provided valuable keys to unravelling geological relationships that had hitherto remained hidden beneath widespread sand and colluvium cover. More importantly however it has shown that the Cu-Mo mineralised Whitehorse porphyry discovered by the company in 2009 appears to be one of a series of similar bodies occurring along a 6+ km long by 1km wide structural corridor. There are also strong indications that these bodies may be high-level extensions off a much larger and deeper porphyry stock.

Such clusters of intrusive bodies are typically found in well-defined porphyry mineral systems elsewhere in the world.

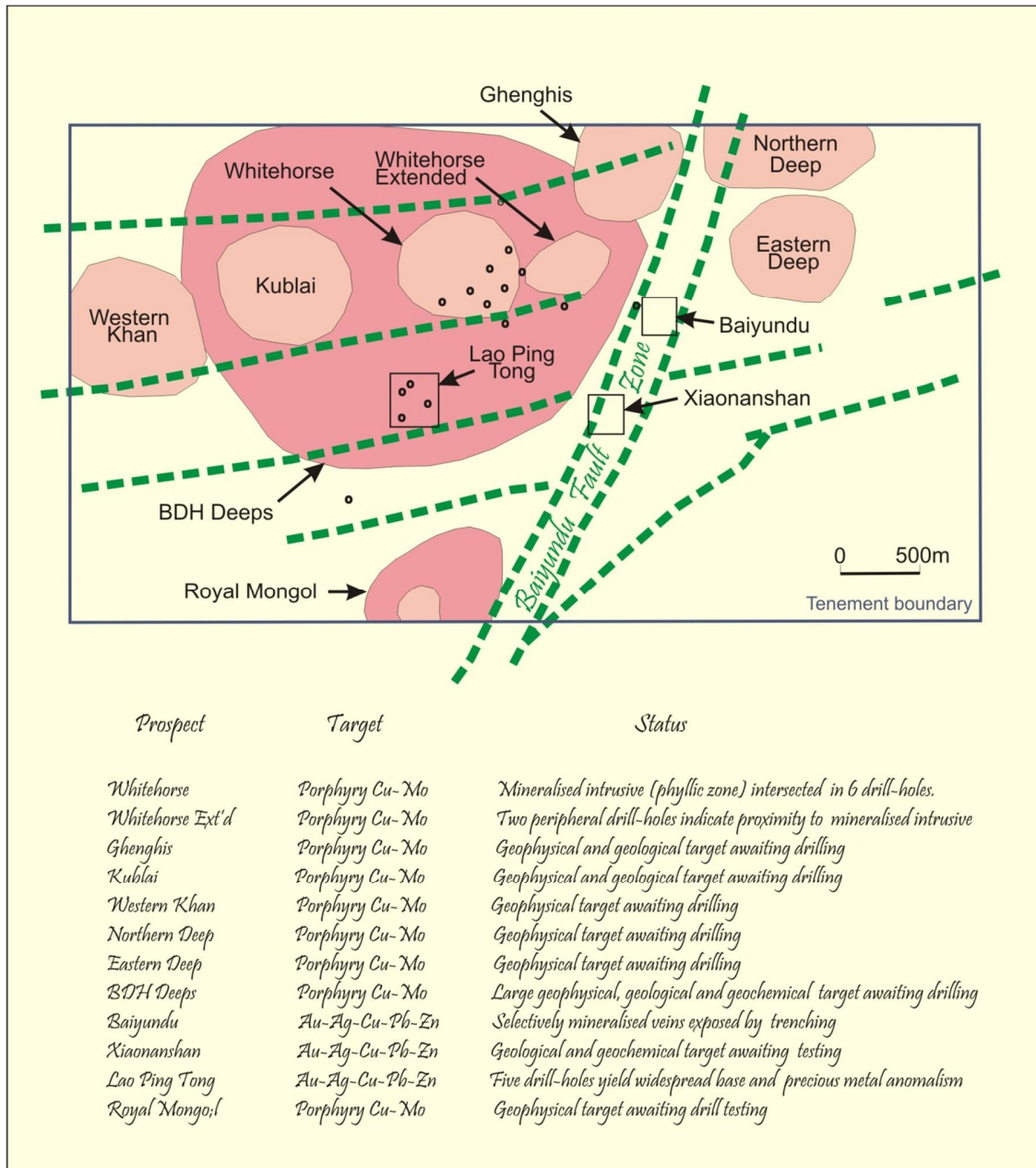
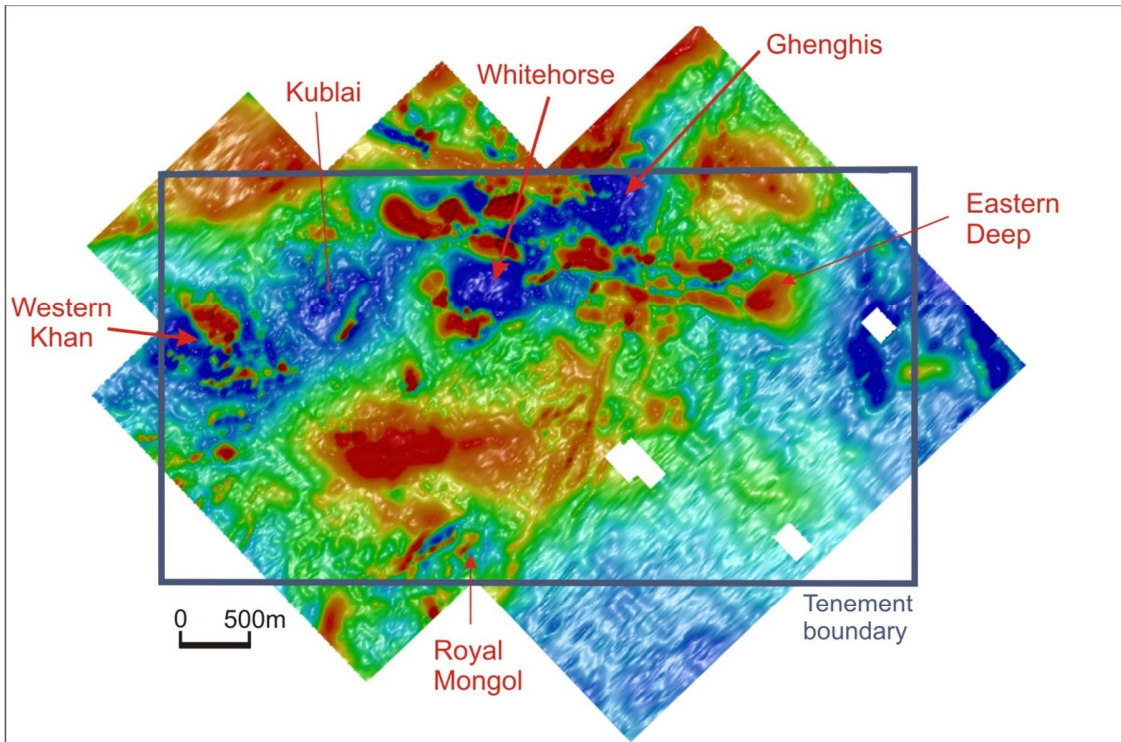


Figure 2 - showing porphyry intrusive drill targets and major structural elements at BDH as identified by high resolution magnetics and with surface-located sub-epithermal prospects superposed. The company's diamond drill-holes depicted by open circles.

While field observations over these geophysical targets is limited ó a consequence of the sand and colluvium cover ó there has been enough surface outcrop found to establish the presence of favourable hydrothermal alteration in each instance and, in some instances, of intrusive rocks and/or favourable geochemistry. The net result of these observations has been establishment of the new drill targets depicted in Figure 2. Figure 3 presents an RTP magnetics plan of the tenement and magnetic sections through a selection of these targets.



RTP (reduced to pole) magnetics, Bu Dun Hua porphyry Cu-Mo project

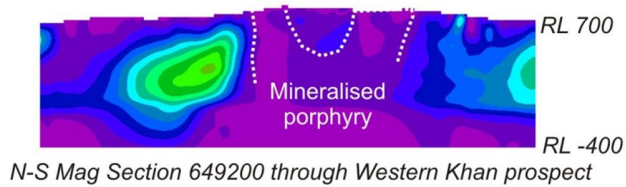
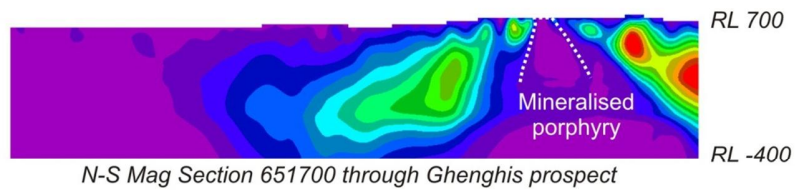
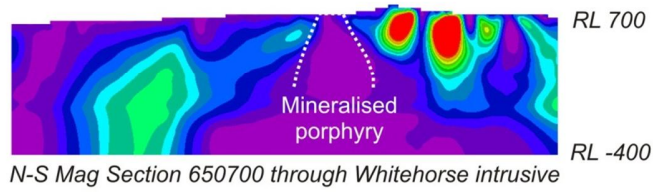
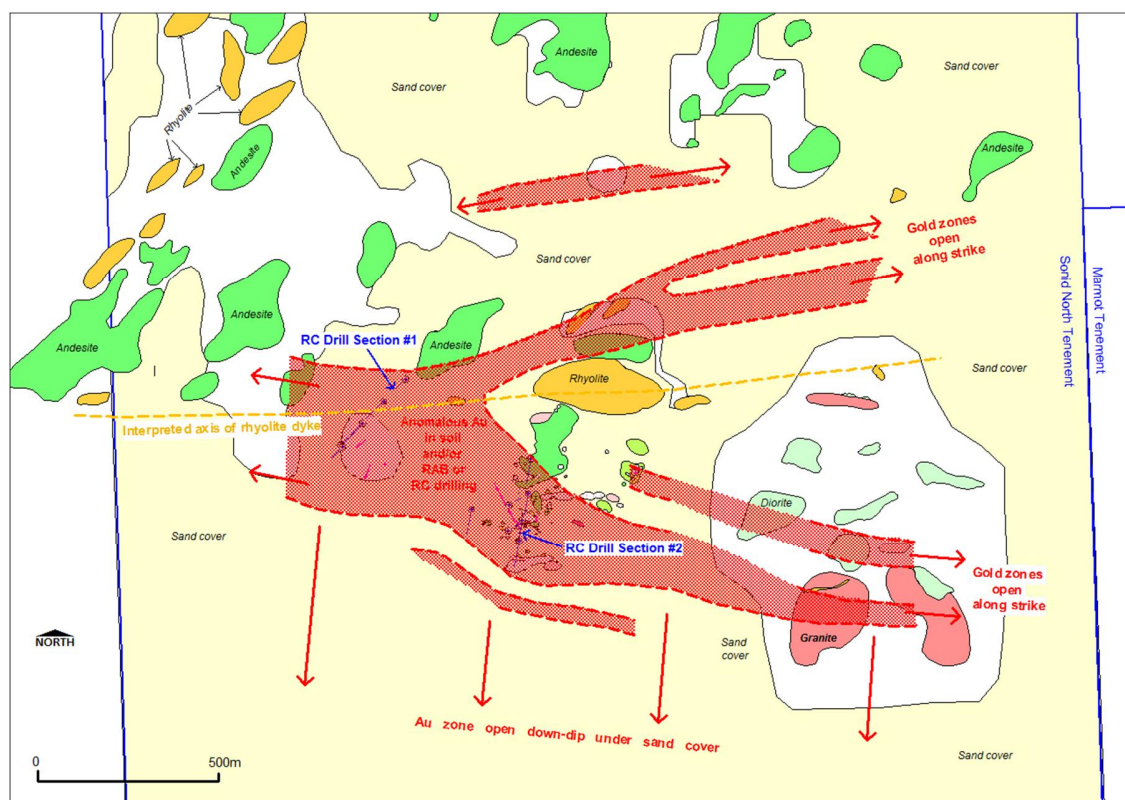


Figure 3 - showing plan of high resolution magnetic survey results and selected sections through mineralised porphyry drill targets.

## ***SONID NORTH GOLD PROJECT (King Solomon 100%)***

Encouraging results from RAB and RC drilling of the Mud-house gold prospect were announced in the September 2010 quarterly report. An ASX release was circulated in December, advising of significant increases of 11% in gold grades resulting from the application of more precise sample analysis procedures.. Work undertaken through DecemberóJanuary has focused on modeling the geology and geochemistry of the prospect in order to optimize drill targeting for the field season commencing late February.



*Figure 4 – Mud-house prospect showing geological setting of Au zone and directions for the next stage of drilling*

Gold mineralisation appears to be strongly structure-controlled and may be genetically related to a large rhyolite dyke intruding andesite volcanic country rock. The rhyolite is hydrothermally altered where exposed at surface. However, the presence of porphyritic granite and diorite intrusives indicates that deeper level intrusion may also be playing a part.

The thick sand cover and consequent lack of surface outcrop in the directions that the Au mineralisation appears to be trending has led to consideration of a high resolution magnetic survey similar to that undertaken at Bu Dun Hua. Such a survey would assist

with understanding of underlying structures and geological relationships and would be fundamental to the layout of the drill program that is required for further investigation of this promising mineralisation.

## **OTHER PROJECTS**

With the strong focus on planning for intensive programs at Sonid North and Bu Dun Hua through the first 6 months of 2011, little work has been carried out on other projects. Ongoing studies of Marmot Ridge core and related drill data has however resulted in a re-modeling of the geology and the likelihood of follow-up field program recommendations.

## **GENERAL**

As previously announced, the company raised approximately \$1 million by placing 13.6 million shares at 7c per share in November. Earlier this month, the company was successful in selling the Beyinhar North tenement for 1 million RMB (approximately \$150,000).

At the end of the December Quarter, the Company had cash on hand of \$1.174 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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