

Kimberley Metals Limited

MINERAL HILL RESOURCE UPGRADE 20% TO 3.2MT
MILL SIZE INCREASED AND MINE LIFE LIFTED TO 10 YEARS

14 September 2011

INVESTMENT DATA

| | |
|-------------------|------------------------|
| ASX Code | KBL |
| Market Sector | Precious & Base Metals |
| Price (13 Sep 11) | \$ 0.265 |
| Shares on Issue | 188.2 m |
| Market Cap. | c. \$49.9 m |
| Unlisted Options | 2.4 m |
| 12 month high | \$ 0.37 |
| 12 month low | \$ 0.19 |
| Convert Notes | 12.16 m |
| Convert Notes | \$4.6 m |

KBL's PROJECT LOCATIONS



Source: KBL

KBL SHARE PRICE (Jul 2010-Sept 2011)



Source: Bloomberg

KEY POINTS

- New 300kt resource at ESOZ at 1.9% Cu and 4.6g/t gold
- Global Resource increases contained Cu (+43%), Au (+64%), ZN (+47%)
- Further resources upgrades expected later in 2011
- Mill capacity to be lifted to 0.4mtpa giving +6ktpa Cu ozpa Au in FY13
- New 2012 price target lifted to A\$1.50/share

Kimberley Metals (**KBL**) is developing two suites of assets formerly held by parent CBH Resources ('**CBH**'). KBL was spun out of CBH in 2008 and listed in 2010. The projects have potential in **copper, gold, lead, zinc and silver** :-

- 1) the reopening of and copper/gold resource upgrade at **Mineral Hill**
- 2) development of 50mt ore in **three new carbonate-hosted Mississippi Valley Type Pb-Ag resources** in the Bonaparte Basin N of Kununurra WA/NT.

RESOURCE UPGRADE

KBL's latest announcement has increased the resource grade and tonnage at Mineral Hill and significantly raised the operation's NPV. First concentrate sale is due in mid September from the newly refurbished mill which has been increased to 250ktpa and will be further upgraded to 400ktpa in late 2012.

Inclusion of the new ESOZ with high grade Cu and Au will lift revenues above MPS earlier estimates and copper and gold prices are also now higher in US\$ and A\$.

MPS has upgraded its Mineral Hill A/Tax NPV to A\$130m (A\$0.80/share) and its Dec 2012 price target to A\$1.50/share.

Potential is high for additional ore on the Mineral Hill tenements and for upgrades to resources in the MVT deposits in the Bonaparte Basin in 2011.

Table 1: MPS Earnings Forecast

| | 30-Jun | 2012 | 2013 | 2014 | 2015 | 2016 |
|--------------------|--------|---------|---------|---------|---------|-----------|
| US\$/A\$ | | 1.09 | 1.10 | 1.10 | 1.10 | 1.10 |
| Gold US\$/oz | | 1700 | 1700 | 1700 | 1700 | 1700 |
| Copper US\$/lb | | 4.08 | 4.08 | 4.08 | 4.08 | 4.08 |
| Ore milled | | 175,000 | 295,000 | 680,000 | 830,000 | 1,330,000 |
| Contained Cu (t) | | 4,104 | 5,344 | 4,668 | 3,591 | 3,192 |
| Contained Au (oz) | | 6,301 | 31,790 | 32,195 | 30,616 | 13,717 |
| Contained Ag (koz) | | 219 | 455 | 988 | 1,202 | 1,970 |
| Contained Pb(t) | | 1,446 | 2,480 | 16,365 | 21,990 | 37,474 |
| Contained Zn(t) | | 1,446 | 2,480 | 3,813 | 4,122 | 11,730 |
| Gross Revenue A\$m | | 49 | 109 | 146 | 150 | 167 |
| Pretax | | 15 | 58 | 63 | 58 | 43 |
| NPAT | | 15 | 58 | 44 | 40 | 30 |
| EPS | | 0.08 | 0.26 | 0.19 | 0.18 | 0.14 |
| CFPS | | 0.09 | 0.27 | 0.29 | 0.19 | 0.13 |
| PER X | | 3.3 | 1.0 | 1.3 | 1.4 | 1.9 |
| PCFR X | | 2.8 | 1.0 | 0.9 | 1.4 | 2.0 |
| Shares | | 185.4 | 225 | 225 | 225 | 225 |

Source: MPS estimates and forecasts derived from KBL data

INVESTMENT REVIEW

KBL has achieved very significant gains at its Mineral Hill operation with completion of the refurbishment of the copper-gold circuit, production of the first copper concentrate, completion of key underground development work and significant exploration results that have expanded resources at Parkers Hill and added a new resource zone.

A very successful exploration programme has discovered new mineralization along the decline out to the Southern Ore Zone (SOZ) from the Eastern Ore Zone (EOZ). This 0.3kt of Indicated and Inferred Resource is fittingly the Eastern Southern Ore Zone (ESOZ) but it has the high ~2%Cu and 4.6g/t Au previously mined by Triako at SOZ.

This higher grade material will allow KBL to mine higher grade copper/gold ore for at least another year before treatment of the higher grade but lower revenue lead/zinc ores.

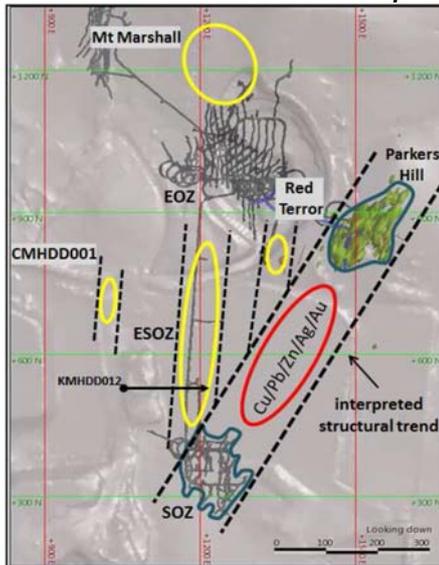
KBL has been able to carry out very effective exploration and has found mineralization continuity at ESOZ and also along the interpreted structural trend between Parkers Hill itself and the SOZ. The growing implication is that the resource base at Mineral Hill may be much larger than just 3-4mt. The decline and other mine development by Triako already gives access to the SOZ and KBL should be able to add to resources here that could be high grade and also allow a longer period of copper/gold production before the mine turns to extraction and treatment of the lead/zinc ore.

The Mineral Hill mill has already been expanded to 250ktpa and with 700ktpa crushing capacity it should be able to upgrade ball mill grinding capacity to 400ktpa with only modest expense.

Copper/gold ore from Parkers Hill and ESOZ/SOZ should be able to maintain 250-280ktpa mill feed for at least six years and additional copper/gold ore could be brought in from KBL's Iron Duke property. The Pearse's gold ore would be milled at about 100ktpa to make up the 400ktpa.

The increased resource will improve earnings and NPV and the MPS Valuation Matrix gives an appraised value of A\$277m or A\$1.50/share.

Fig 1: Plan of Mineral Hill with the location of ESOZ in relation to SOZ, Parkers Hill and EOZ



Source: KBL

Table 2 Valuation Matrix

| Valuation Matrix | A\$m | | | | | Book Value | | | Appraised Value | |
|-----------------------|--------|-------|------|------|------|------------|--------|--------|-----------------|--------|
| | 30-Jun | 2012 | 2013 | 2014 | 2015 | 2016 | A\$m | A\$/sh | A\$m | A\$/sh |
| Parkers Hill | | 17 | 36 | 33 | 23 | 13 | 14 | 0.08 | 81 | 0.43 |
| Pearse | | 0 | 26 | 30 | 28 | 0 | 3 | 0.02 | 49 | 0.26 |
| Exploration Lachlan | | -1 | -1 | -1 | -1 | -1 | 2 | 0.01 | 6 | 0.03 |
| Sorby Hills (75%) | | 0 | 0 | 5 | 10 | 29 | 14 | 0.08 | 104 | 0.56 |
| Sandy Ck | | 0 | -1 | -1 | 3 | 6 | 1 | 0.01 | 15 | 0.08 |
| Djibitgun | | 0 | -1 | -1 | 2 | 4 | 1 | 0.01 | 10 | 0.05 |
| Exploration Bonaparte | | 0 | -1 | -1 | -1 | -1 | 0.1 | 0.00 | 2 | 0.01 |
| Admin | | -2 | -2 | -3 | -3 | -3 | -1 | -0.01 | -4 | -0.02 |
| Cash/Interest | | 1 | 1 | 2 | -4 | -4 | 15 | 0.08 | 15 | 0.08 |
| Pretax | | 15 | 58 | 63 | 58 | 43 | 49.1 | 0.26 | 277 | 1.50 |
| Tax | | 0 | 0 | -19 | -17 | -13 | 0 | 0.00 | 0 | 0.00 |
| Net A\$m | | 15 | 58 | 44 | 40 | 30 | 49.1 | 0.26 | 277 | 1.50 |
| Cashflow A\$m | | 18 | 61 | 66 | 42 | 29 | | 2013 | 2014 | 2015 |
| EPS | | 0.08 | 0.26 | 0.19 | 0.18 | 0.14 | PER x | 5.8 | 7.7 | 8.3 |
| CFPS | | 0.09 | 0.27 | 0.29 | 0.19 | 0.13 | PCFR x | 5.6 | 5.1 | 8.0 |
| Shares | | 185.4 | 225 | 225 | 225 | 225 | | | | |

Source: MPS estimates and forecasts derived from KBL data

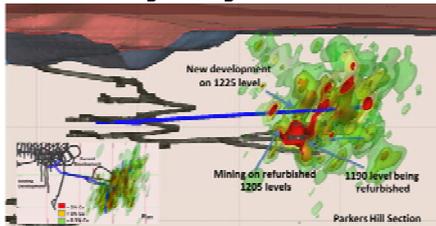
KBL is actively pursuing upgrades at Sorby Hills and should be able to report later in 2011.

The Company's key assets are:

- Mineral Hill Mine Precious & Base Metal Project
- Sorby Hills & Manbarrum Precious & Base Metal Projects
- Constance Range Iron Ore Project

MINERAL HILL - RESOURCE UPGRADE AND NEW MAIDEN ZONE

Fig 2: Parkers Hill underground mine section showing mining levels



Source: KBL

Recent resource definition drilling at KBL's Mineral Hill project in NSW has given a 43 per cent lift in contained copper Resources to 44,385 tonnes (inground A\$350m) and a 64% lift in contained gold Resources to 125,516 ozs (in ground A\$225m).

The increased Resource is due primarily to a lift in Indicated Resources for the Parkers Hill deposit and a maiden Resource for the Eastern Southern Ore Zone (ESOZ) deposit. A maiden Resource statement for the Southern Ore Zone (SOZ) is expected before the end of the month to further lift the copper-gold inventory.

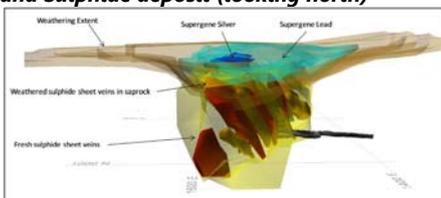
The Parkers Hill upgrade and maiden resource for ESOZ can extend the current Mineral Hill Mine production profile by 50% to nine years and give a material increase in the gold ore grade to the mill.

Table 3: Summary of new resources, excluding Southern Ore Zone (SOZ), for Mineral Hill Mine

| New Resource | t | Cu % | Pb % | Zn % | Ag g/t | Au g/t |
|--|------------------|---------------|---------------|---------------|------------------|----------------|
| Parkers Hill Primary/Sulphide | 1,500,000 | 1.9 | 1.2 | 1.2 | 36 | 0.3 |
| Parkers Hill Oxide | 1,100,000 | 0.9 | 3.7 | 0.4 | 70 | 0.05 |
| Pearse | 298,000 | | | | 80 | 6.5 |
| ESOZ | 315,000 | 1.9 | 0.1 | 0.1 | 8 | 4.6 |
| SOZ | TBA | | | | | |
| Metal Content | t | t | t | t | oz | oz |
| Parkers Hill Primary | 1,500,000 | 28,500 | 18,000 | 18,000 | 1,741,935 | 14,516 |
| Parkers Hill Oxide | 1,100,000 | 9,900 | 40,700 | 4,400 | 2,483,871 | 1,774 |
| Pearse | 298,000 | - | - | - | 769,032 | 62,484 |
| ESOZ | 315,000 | 5,985 | 315 | 315 | 81,290 | 46,742 |
| SOZ | TBA | | | | | |
| Summary | | t Cu | t Pb | t Zn | oz Ag | oz Au |
| New Indicated & Inferred Resource | 3,213,000 | 44,385 | 59,015 | 22,715 | 5,076,129 | 125,516 |
| Old Indicated Resource | 2,687,000 | 31,091 | 51,768 | 15,468 | 4,388,871 | 76,667 |
| ADDED | 526,000 | 13,294 | 7,247 | 7,247 | 687,258 | 48,849 |
| Change | 20% | 43% | 14% | 47% | 16% | 64% |

Source: KBL

Fig 3: 3D model of the Parkers Hill Oxide and Sulphide deposit (looking north)



Source: KBL

PARKERS HILL

Previous Resource estimates for Parkers Hill were established in 2009. Additional metallurgical holes have been drilled and the drill hole data base has been fine tuned to detail geological modeling of key structures and contacts on 10 metre spacings.

Parkers Hill Deposit

Parkers Hill showing existing open pit and decline development into the currently mined underground ore zones.

Table 4: New Parkers Hill oxide resource (cut off grade 0.6% Cu, 2% Pb & 100g/t Ag)

| Total Supergene Zone Resource | | | | | | |
|------------------------------------|------------|------------|------------|------------|------------|-------------|
| Category | M. Tonnes | Copper% | Lead% | Zinc % | Silver g/t | Gold g/t |
| Indicated | 0.8 | 0.6 | 4 | 0.4 | 69 | 0.04 |
| Inferred | 0 | 0.3 | 2.5 | 0.4 | 15 | 0 |
| Total | 0.8 | 0.6 | 4 | 0.4 | 69 | 0.04 |
| Total Saprock Zone Resources | | | | | | |
| Indicated | 0.1 | 1.1 | 1.6 | 0.3 | 47 | 0.11 |
| Inferred | 0.2 | 1.8 | 3.9 | 0.3 | 86 | 0.05 |
| Total | 0.3 | 1.6 | 3.1 | 0.3 | 71 | 0.07 |
| Total Parkers Hill Oxide Resources | | | | | | |
| Total | 1.1 | 0.9 | 3.7 | 0.4 | 70 | 0.05 |

Source: KBL

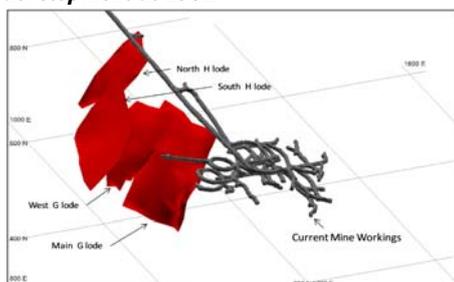
Parkers Hill Oxide Resource Update

Table 5: New Parkers Hill sulphide resource (cut off grade 0.6% Cu)

| Parkers Hill Primary / Sulphide Zone Resource | | | | | | |
|---|------------|------------|------------|------------|------------|------------|
| Category | M. Tonnes | Copper% | Lead% | Zinc % | Silver g/t | Gold g/t |
| Indicated | 1.45 | 1.9 | 1.2 | 1.2 | 36 | 0.3 |
| Inferred | 0.05 | 0.7 | 1.8 | 2.4 | 48 | 0.2 |
| Total | 1.5 | 1.9 | 1.2 | 1.2 | 36 | 0.3 |

Source: KBL

Fig 4: 3D model showing individual lodes and pre-existing underground mine development at ESOZ



Source: KBL

EASTERN SOUTHERN ORE ZONE (ESOZ) – MAIDEN RESOURCE

A Resource estimate has been constructed for an area of unmined mineralisation between the Southern Ore Zone and Eastern Ore Zone of the Mineral Hill Mine, called the Eastern Southern Ore Zone (ESOZ).

The geological interpretation of this material is based on work undertaken by Kimberley Metals Ltd geologists, including the drill results announced on 3 August 2011.

Table 6: Maiden ESOZ Resource

(cut off grade 0.6% Cu equivalent. 1 Cu equivalent = Cu % + 0.66 * Au g/t)

| Total ESOZ Resource | | | | | | |
|---------------------|------------|------------|------------|------------|------------|------------|
| Category | K Tonnes | Copper % | Gold g/t | Silver g/t | Zinc % | Lead% |
| Indicated | 101 | 1.5 | 3.7 | 7 | 0.2 | 0.1 |
| Inferred | 214 | 2.1 | 5.1 | 8 | 0.1 | 0.1 |
| Total | 315 | 1.9 | 4.6 | 8 | 0.1 | 0.1 |

Source KBL

ESOZ is currently open both up and down dip and along strike to the north and south. The maiden resource for ESOZ is only restricted by drill hole data and plans are underway to extend known mineralisation and improve the Resource confidence level.

Importantly, the ESOZ ore body is in proximity to current mine workings, which are in the process of being dewatered and rehabilitated. Kimberley expects that the ESOZ ore body will be accessed in late 2012 and will provide a high grade copper-gold blend to the copper-lead-zinc-gold ore from Parkers Hill.

PRODUCTION PROFILE

Current production from Mineral Hill Mine is 250,000 tonnes of ore per annum which currently translates into 5,000 tonnes of copper in concentrate.

The upgrade to the Parkers Hill Resource and the maiden Resource for ESOZ can extend the current production profile by 50% from six to nine years with a material increase in the gold ore grade into the mill.

SOUTHERN ORE ZONE

Kimberley is currently finalising the maiden resource for the Southern Ore Zone, which will be announced shortly.

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