AUSTRALIAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

KBL Mining LTD

Initiation of coverage

January 2012

INDEPENDENT INVESTMENT RESEARCH

Who is IIR?

Independent Investment Research (Aust.) Pty Ltd, (ABN 11 152 172 079) "IIR" is an independent investment research house in Australia. IIR specialises in the analysis of industry trends, and high quality commissioned research. IIR was established in 2004 under Aegis Equities Holdings to provide investment research to a select group of wholesale customers, which included Advisers, Brokers, and platform providers. Since March 2010, IIR has operated independently from Aegis by former Aegis staff to provide customers and subscribers an unparalleled research website that covers commissioned research on listed and unlisted managed investments, resource companies, structured products, and IPO's.

Disclaimer and disclosure of interests

Independent Investment Research has been commissioned to produce this report.

This publication has been prepared by Altavista Research Pty Ltd trading as Independent Investment Research (ABN 56 144 966 165) & ETF Research Pty Ltd (ACN 152 241 908) "IIR" under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. IIR has been commissioned to prepare this independent research report (the "Report") and has received fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

IIR, its officers, employees and its related bodies corporate have not and will not receive, whether directly or indirectly, any commission, fee, benefit or advantage, whether pecuniary or otherwise in connection with making any statements and/or recommendation (if any), contained in this Report. IIR discloses that from time to time it or its officers, employees and related bodies corporate may have an interest in the securities, directly or indirectly, which are the subject of these statements and/or recommendations (if any) and may buy or sell securities in the companies mentioned in this publication; may affect transactions which may not be consistent with the statements and/or recommendations (if any) in this publication; may have directorships in the companies mentioned in this publication; and/or may perform paid services for the companies that are the subject of such statements and/or recommendations (if any).
However, under no circumstances has IIR been influenced, either directly or indirectly, in making any statements and/or recommendations (if any) contained in this Report.

The information contained in this publication must be read in conjunction with the Legal Notice that can be located at http://www.independentresearch.com.au/Public/Disclaimer.aspx
For more information regarding our services please refer to our website www.independentresearch.com.au or any queries can be directed to client.services@independentresearch.com.au .

KBL Mining Ltd

Initiating coverage

Investment Profile	
Share price ($)	0.27
Valuation ($)	0.88
Issued capital	
Ordinary shares (M)	191.5
Options (M)	5.0
Fully Diluted (M)	196.5
Market capitalisation ($M)	51.7
52-week low/high ($)	0.23/0.37
Liquidity (shares traded 3m)	289,745
Cash as at 31 Dec 2011 ($M)	2.4

Board and Management

Directors

J Wall (Exec Chairman)

B Besley (Exec Director)

S Lonergan (Exec Director & Co Sec)

J Richards (Non Exec Director)

Management

Stuart Mathews (Chief Operating Officer)

Major Shareholders	%
Yuguang (Australia) Pty Ltd	11.1
Toho Zinc Co Ltd.	7.0
Pagodatree Investments Ltd	4.5
Sunbeam Opportunities Ltd	4.3
Top 20 shareholders own 41.1% of company	

Share price performance

Analyst: Chris Kallos CFA

chris.kallos@independentresearch.com.au

KBL transitions to Producer status

KBL Mining Ltd is an ASX-listed exploration, development and production mineral resource company with a focus on precious and base metals (copper, gold, lead, zinc and silver). KBL has three key assets, namely Mineral Hill (KBL 100%), Sorby Hills (KBL 75%), and the iron ore prospect Constance Range (KBL 30%).

Key points

Copper production now on line in NSW. Completion of the upgrade and refurbishment of the Mineral Hill processing plant to 250,000 tpa which began in August 2010 paved the way for the company's first shipment of copper concentrate in October 2011 to China and its transition to producer status.

Exploration success provides a solid pipeline of prospects. IPO proceeds used to fund completion of drilling and feasibility studies for the re-starting of operations at Mineral Hill resulted in significant extensions to the previously defined mineralised zone at the site, with mining anticipated to commence mid 2012 at the Pearse copper/gold deposit.

Attractive Silver Lead prospects in WA. In addition to copper produced from Parkers Hill and near term gold production potential of the Pearse resource, both at Mineral Hill, KBL also recently announced positive drilling results from its Sorby Hill JV project. The drilling identified an area of particularly high grade, shallow mineralization of the Silver-Lead deposit amenable to open cut mining. The project has a potential mine life in excess of 10 years and is close to established port infrastructure. The company has stated it aims to commence a 400,000 to 500,000 tpa open cut mining operation by 2013 and has made submission to the Department of Mines & Petroleum (Western Australian) for mine approval.

GMR JV Deal. KBL recently announced an offer by Guangdong Guangxin Mining Resource Group of A$80M for a 25% stake in the Mineral Hills project. We regard the deal as positive however have excluded the transaction from our current valuation pending approval by stakeholders and the release of further details.

Experienced management team. The company's management team has a extensive experience in mineral exploration and mine development, which bodes well for effective sequencing of the company's diverse portfolio of multi-stage mining projects.

Valuation. Our base case valuation of KBL is $0.88 per share.

Earnings Forecast

Y/e June	2010	2011	2012F	2013F	2014F
Revenue ($M)	0.0	0.0	30.4	92.5	107.9
EBITDA ($M)	-2.2	-3.8	-3.8	44.3	41.1
EV/EBITDA	-25.1	-14.7	-14.7	1.3	1.4
Reported NPAT ($M)	-0.4	-3.2	-4.9	33.2	26.7
Normalised NPAT ($M)	-2.3	-3.3	-4.9	33.2	26.7
Reported EPS (A$)	0.00	-0.02	-0.03	0.17	0.14
Normalised EPS (A$)	-0.02	-0.02	-0.03	0.17	0.14
PER	n/a	n/a	n/a	1.6	1.9
DPS	n/a	n/a	n/a	n/a	n/a
Price /Cash (x)	n/a	n/a	n/a	1.5	1.8
Price/Book (x)	2.2	1.0	1.4	0.7	0.5

KBL MINING LTD
ASX: KBL
January 24, 2012
Year End 30 June

Share Price	($)	0.27
Issued Shares	(M)	191.5
Issued Options	(M)	5.0
Mkt Cap	($M)	51.7

PROFIT & LOSS ($M)					
Y/E June	**2010**	**2011**	**2012**	**2013**	**2014**
Sales Revenue	0.0	0.0	30.4	92.5	107.9
Total Costs	2.2	3.8	34.2	48.2	66.8
EBITDA	-2.2	-3.8	-3.8	44.3	41.1
Depreciation/Amortisation	-0.1	0.0	-0.1	-2.0	-2.0
EBIT	-2.4	-3.8	-3.9	42.3	39.1
Interest	0.1	0.5	-1.0	-1.0	-1.0
Pre-Tax Profit	-2.3	-3.3	-4.9	41.3	38.1
Tax expense	0.1	0.0	0.0	8.1	11.4
Net Profit After Tax	-2.3	-3.3	-4.9	33.2	26.7
Abnormals	2.0	0.1	0.0	0.0	0.0
Reported Net Profit After Tax	-0.4	-3.2	-4.9	33.2	26.7

CASHFLOW ($M)					
Y/E June	**2010**	**2011**	**2012**	**2013**	**2014**
Receipts from customers	0.1	0.3	30.4	92.5	107.9
Payments to suppliers	-1.6	-2.7	-34.2	-48.2	-66.8
Net interest	0.2	0.7	0.0	0.0	-8.1
Tax Paid	0.0	0.0	0.0	0.0	-8.1
Other	0.0	0.0	-1.3	0.0	0.0
Operating Activities	***-1.3***	***-1.7***	***-5.1***	***44.3***	***24.8***
Capital Expenditure	-0.1	-6.8	-1.5	-1.5	-1.5
Exploration, Development, Evaluation	-1.2	-5.7	-2.0	-2.0	-2.0
Asset Sales/Acquisitions	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.3	0.0	0.0	0.0
Investment Activities	***-1.3***	***-12.8***	***-3.5***	***-3.5***	***-3.5***
Share Issues /(Buybacks)	11.3	16.4	0.0	0.0	0.0
Debt Drawdown/ (Repaid)	-1.0	-1.0	8.7	0.0	0.0
Dividends Paid	0.0	0.0	0.0	0.0	0.0
Other	-0.7	-0.4	0.0	0.0	0.0
Financing Activities	***9.6***	***15.0***	***8.7***	***0.0***	***0.0***
Net Cash	7.0	0.6	0.1	40.8	21.3
Cash at beginning	0.8	7.8	8.4	8.4	49.2
Cash at end	7.8	8.4	8.4	49.2	70.6

BALANCE SHEET ($M)					
Y/E June	**2010**	**2011**	**2012**	**2013**	**2014**
Cash	7.8	8.4	8.4	49.2	70.6
Trade and other Receivables	0.2	1.3	0.0	0.0	0.0
Inventories	0.1	0.1	0.0	0.0	0.0
Investments	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Current Assets	8.1	9.8	8.4	49.2	70.6
PPE	0.9	10.3	11.8	13.8	11.3
Mining Property	0.0	20.4	20.4	20.4	20.4
Investment in Joint Venture	0.0	9.5	9.5	9.5	9.5
Exploration & Evaluation	24.4	1.9	1.9	1.9	1.9
Other	0.9	1.0	1.0	1.0	1.0
Non-current Assets	26.3	43.2	44.6	46.6	44.1
Total Assets	34.4	52.9	53.0	95.8	114.6
Trade and other Payables	0.6	6.3	2.5	11.4	5.0
Short-term Debt	0.0	1.8	1.8	1.8	1.8
Long-term Debt	3.3	1.2	9.9	9.9	9.9
Provisions	0.7	0.6	0.6	0.6	0.6
Other	0.0	0.0	0.0	0.0	0.0
Total Liabilities	4.6	9.9	14.8	23.7	17.3
Net Assets	29.8	43.1	38.2	72.1	97.3
Share Capital	30.7	46.8	46.8	46.8	46.8
Reserves	0.1	0.6	0.6	0.6	0.6
Retained Earnings	-1.0	-4.2	-9.1	24.0	50.7
Shareholders' Equity	29.8	43.1	38.2	71.3	98.0
Minorities	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0
Total Equity	29.8	43.1	38.2	71.3	98.0
Shares on Issue (M)	109.6	162.9	191.5	191.5	191.5
Options Outstanding (M)	138.7	0.3	5.0	5.0	5.0
Fully Diluted (M)	248.3	163.1	196.4	196.4	196.4

Mineral Hill Mine- Assumptions and Forecasts					
Y/E June		**2012**	**2013**	**2014**	**2015**
Exchange Rate	A$/US$	0.98	0.98	0.98	0.98
Copper	USD/t	8,704	8,704	8,704	8,704
Zinc	USD/t	2,197	2,197	2,197	2,197
Lead	USD/t	2,391	2,391	2,391	2,391
Silver	USD/oz	36	36	36	36
Gold	USD/oz	1,900	1,900	1,900	1,900
Ore Mined	t	201,545	277,160	364,216	456,300
Ore Treated	t	184,349	274,626	365,416	457,710

Metal Production					
Y/E June		**2012**	**2013**	**2014**	**2015**
Underground					
Cu	t	3,330	5,075	6,753	8,458
Ag	oz	90,786	145,686	193,848	242,809
Au	oz	563	1,413	10,574	13,244
Zn	t	879	989	1,315	1,648
Pb	t	661	741	987	1,236
Open Cut					
Ag	oz	-	121,048	122,008	-
Au	oz	-	20,917	15,501	-

Revenue					
Y/E June		**2012**	**2013**	**2014**	**2015**
Underground					
Cu	USD	26,240,077	41,579,396	53,492,016	65,529,750
Ag	USD	2,740,373	4,533,058	5,802,760	7,262,332
Au	USD	829,480	2,338,514	15,341,156	18,016,459
Zn	USD	-	-	-	-
Pb	USD	-	-	-	-
subtotal	USD	29,809,930	48,450,968	74,635,932	90,808,540
Open Cut					
Ag	USD	-	4,062,565	4,055,677	-
Au	USD	-	38,097,769	27,085,223	-

Operating Costs					
Y/e June		**2012**	**2013**	**2014**	**2015**
Parkers Hill - Mining	A$M	18.4	20.9	27.5	34.4
Parkers Hill - Milling	A$M	6.9	6.7	8.2	9.7
Shipping	A$M	2.0	2.8	3.7	4.7
TC/RC	A$M	1.6	2.3	3.2	3.8
Sales agent fees	A$M	0.3	0.7	0.9	0.8
Pearse - Mining / Processing	A$M	0.0	9.2	17.5	0.0
Management & Admin	A$M	2.4	2.4	2.4	2.4
Cash Cost of Production	**A$M**	**31.6**	**45.0**	**63.4**	**55.8**
Net Profit	A$M	-4.9	33.2	26.7	21.5

Key Model Assumptions	
Head Grade (%Copper) of	2.10%
Recovery rate (copper) of	88%
Head Grade (Gold) of	0.40g/t
Recovery rate (Gold) of	88%
NSW State royalty as % of revenue	4%
Capex 2012	~A$0.49M
Capex 2013	~ A$13.625M
Depreciation method	straight line
No dividend payment	n/a
A$/US$	0.98
Life of Mine	8 years
Inflation rate average	3.5% pa
WACC	10%
Escalation of costs	1% pa

Sensitivity Analysis				
			Base Case	
A$/US$		**1.08**	**0.98**	**0.95**
% change in NPV per share		-15%	0%	6%
Copper	**USD/t**	**7834**	**8,704**	**9575**
% change in NPV per share		-2%	0%	1%
Gold	**USD/oz**	**1710**	**1,900**	**2090**
% change in NPV per share		-1%	0%	0%

SWOT analysis

Strengths

- Diversified commodity exposure given polymetallic nature of assets
- All assets Australian based
- Cash flow from operations from copper and soon to be gold production
- Portfolio of exploration projects
- Advanced development projects
- Established JORC resources
- Open pit mining method and access to established infrastructure support a relatively lower operating cost profile at Sorby Hills and Pearse.
- Solid and growing pipeline of promising exploration targets
- Strong management and engineering team

Weakness

- Relatively short history of operations
- JV partnerships in general, while providing funding to advance projects may impact control of operations, however, we note that each of KBL's current major project partners hold only minority interest stakes.
- Economics yet to be proven at Sorby Hills with feasibility study still in progress

Opportunities

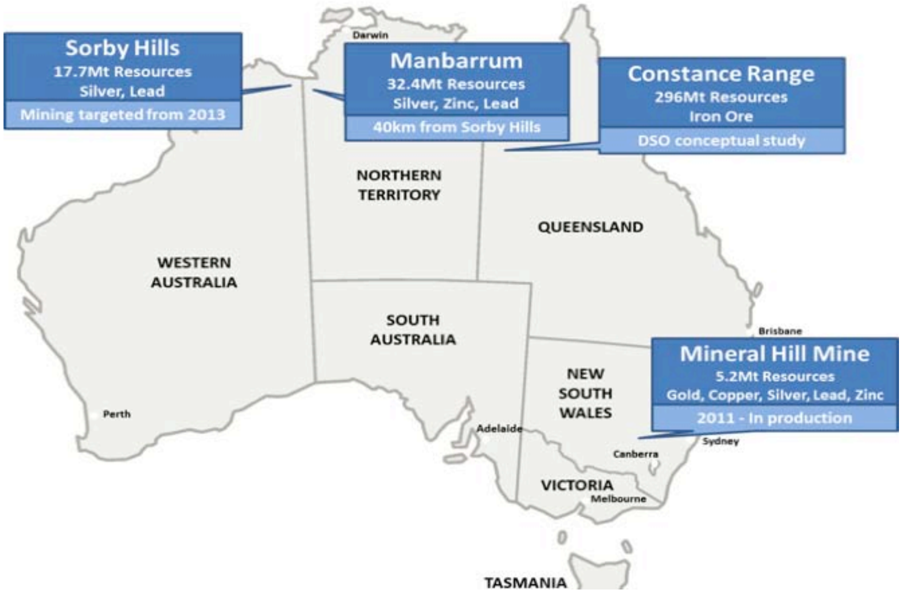
- Growth of positive cash flow given commencement of production
- Upgrade of resources to reserves
- Exploration targets
- Farm out potential
- Off-take agreements offset demand risk
- Favourable commodity prices for Silver and Gold

Threats

- Commodity price volatility (generic)
- Significant discount to valuation and peer group comparison means company is vulnerable

Overview

- KBL Mining Ltd (KBL), formerly Kimberley Metals Ltd., is an ASX-listed exploration, development and production mineral resource company with a focus on precious and base metals (copper, gold, lead, zinc and silver).
- KBL listed in February 2010, after being spun-off from CBH Resources (CBH) as an unlisted public company in May 2008. The company holds interests in four exploration and pre-development projects across three geographic regions in Australia in areas of known mineralization, namely: the Mineral Hill gold and base metal project (NSW), the Iron Duke copper-gold project (NSW), the Sorby Hills silver-lead-zinc project (Western Australia), Manbarrum silver-lead-zinc project (Northern Territory), and a joint venture interest in the Constance Range iron ore project (Queensland). KBL to date has concentrated development efforts primarily on two key projects - Mineral Hill and Sorby Hills.



- The **Mineral Hills Project** in NSW is KBL's most advanced project where an active drilling program is generating a solid pipeline of exploration targets to complement recently commenced copper production from the Parkers Hill deposit, and potential near term gold production from the Pearse resource using recently refurbished processing plant existing on the site.
- The **Sorby Hills Project**, in Western Australia, a major undeveloped silver-lead-zinc deposit, ranks equally in importance to the Mineral Hills Project and is currently in its final stages of permitting. First production is expected in 2013 pending completion of the Pre-feasability study and approval of environmental proposals by the Department of Mines & Petroleum (DMP) of Western Australia.

Guangdong Guangxin Mining Resources Group (GMR) Joint Venture

- On December 29, 2011, KBL signed a Memorandum of Understanding with Guangdong Guangxin Mining Resource Group (GMR) for an A$80M payment for a 25% joint venture interest in Mineral Hill. GMR is a subsidiary of GGH the largest foreign trade group in Guangdong Province, Southern China, and its major platform for GGH's mining developments and investments. Subject to approvals from: the Australian government, the Chinese government, KBL and GMR shareholders; GMR will:
  - Subscribe for a fully diluted 15% shareholding, approximately 33 million shares (based on 191.5M shares outstanding), in KBL at a 25% premium to the 6-month VWAP immediately prior to the announcement, which if we assume equates to $0.34 per share amounts to approximately A$11.2M.
  - Purchase for A$80M a 25% joint venture interest in KBL's Mineral Hill Mine and Iron Duke Project; and
  - Have the benefit of a LOM off-take agreement in respect of KBL's 75% share (post transaction) of Mineral Hill copper concentrates incorporating a 25% discount to the prevailing LME copper price in lieu of conventional pricing structures including all treatment and refining costs, discounts and penalties.

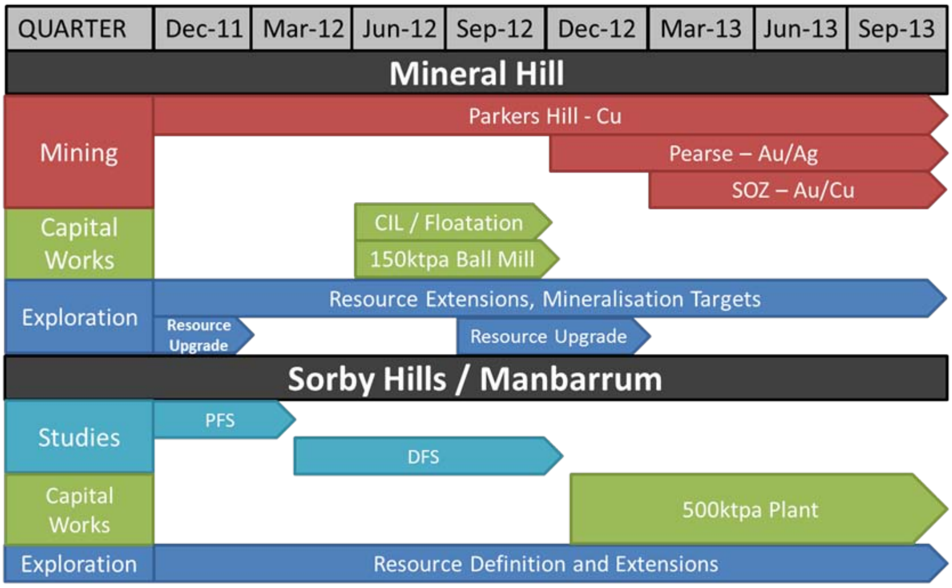
- We regard the transaction as positive for KBL both from a funding and strategic perspective, accelerating current initiatives at both Mineral Hill and Sorby Hills, in addition to supporting further assessment of in-mine exploration targets and other emerging opportunities. Nonetheless, we have excluded the deal from our valuation considerations at this point pending approval by stakeholders and the release of further details.

Financial position

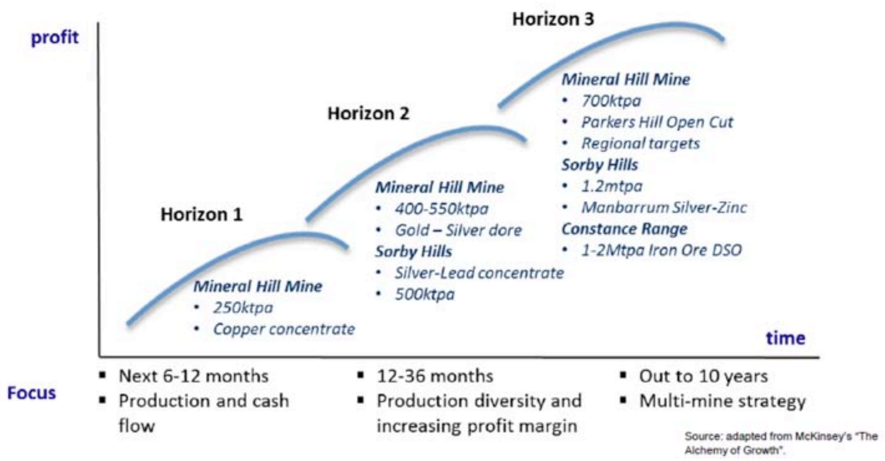
- KBL reported a A$2.35M cash balance at the end of December Quarter 2011. Cash from operations during the quarter was negatively impacted by the late sailing of the second copper shipment in December, with payment of $1.53M now booked in January, and delays due to the ramping up of copper concentrate production. Management expects its next shipment of copper concentrate of approximately 1,500 tonnes, scheduled for January 26, 2012, to generate a provisional payment of approximately $2.35M. As at the end of FY11, KBL had net assets of $43.1M, cash on hand of $8.4M, and long-term debt of approximately $1.2M, which reflects a contingent liability to Triako.

Work Program and Current Exploration Plans

- We believe, near term hurdles effectively de-risk KBL's projects on an incremental basis and represent potential share price catalysts for the stock. Commissioning of the processing plant and production of the first copper concentrate is the first of several major milestones previously cited by management as outlined below.



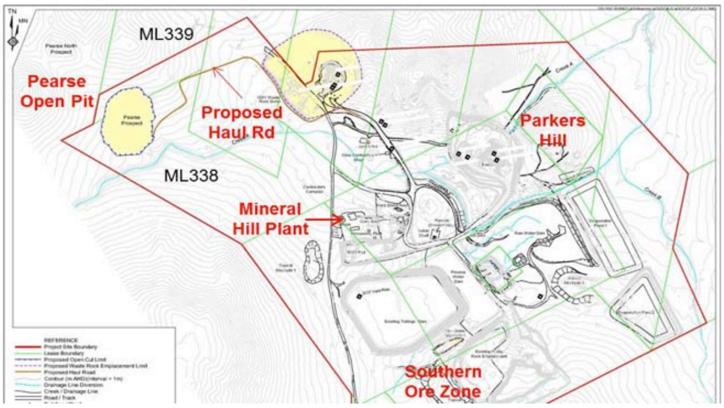
Planned development and construction timetable



Mineral Hill Project (KBL 100%) – Gold Silver Copper Lead Zinc

Location

- KBL's most advanced project is at Mineral Hill, located in central western New South Wales in the northern part of the Lachlan Fold Belt, an area characterized by a diverse range of base and precious metal deposits. At Mineral Hill, the company holds 17 mining leases covering approximately 5 km^2 plus an exploration licence (EL1999) linked to tenement holdings of approximately 49 km^2 in total..
- KBL was spun out of CBH Resources in 2008. In 2006 CBH acquired Mineral Hill as part of its acquisition of Triako, which had previously established mining operations on the site in 1989.
- Former mine owner and operator Triako had also successfully commissioned a production plant comprising of a 200,000 tpa concentrator/CIL (carbon in leach) facility to process gold in copper concentrate and gold bullion. Low metal prices and a lack of high-grade underground reserves led to the closure of the mine in 2005. Triako operated on the site between 1989 and 2005, and managed to mine 2.1 million tonnes at 6.5g/t Au and 1.14% Cu.



Resources and Reserves

- Current JORC Reserves (see Appendix for Resources) at Mineral Hills are tabled below:

Parkers Hill Underground

Copper Reserve											
Category	Tonnes	Copper %	Zinc %	Lead %	Silver g/t	Gold g/t	Contained Copper	Contained Zinc (T)	Contained Lead (T)	Contained Silver (oz)	Contained Gold (oz)
Proven	0	0	0	0	0	0	0	0	0	0	0
Probable	493,600	2.17	1.07	0.85	29.4	0.43	10,711	5,282	4,196	466,566	6,824

Combined Reserve											
Category	Tonnes	Copper %	Zinc %	Lead %	Silver g/t	Gold g/t	Contained Copper	Contained Zinc (T)	Contained Lead (T)	Contained Silver (oz)	Contained Gold (oz)
Proven	0	0	0	0	0	0	0	0	0	0	0
Probable	343,000	1.27	1.89	1.91	49.2	0.13	4,356	6,483	6,551	542,563	1,434

Pearse Open-Cut

Category		Tonnes	Silver g/t	Gold g/t	Contained Silver (oz)	Contained Gold (oz)
Probable	Primary	28,458	76	6.9	68,417	6,212
	Oxide	18,244	14	4.4	8,102	2,546
Sub Total		**46,702**	**52**	**5.9**	**76,519**	**8,758**
Proven	Primary	152,489	91	7.3	444,709	35,674
	Oxide	36,049	16	6.5	18,519	7,523
Sub Total		**188,538**	**77**	**7.2**	**463,228**	**43,198**
TOTAL		**235,240**	**72**	**6.9**	**539,746**	**51,956**

- On 13 September 2011, KBL announced a significant upgrade in Resources at Mineral Hill as presented in the table below, reporting a 43% lift in contained copper in Resources to 44,385 tonnes and a 64% lift in contained gold in Resources to 125,516 ounces since July 2011. The increased Resource was 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.

Measured, Indicated & Inferred Resources	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 (Au)	400,234	0.79	0.53	0.52	12	4.4
SOZ	861,951	1.23	0.51	0.40	12	1.25
SOZ (Pb/Zn)	698,694	0.42	2.55	2.76	24	0.24
Metal Content	**t**	**t Cu**	**t Pb**	**t Zn**	**oz Ag**	**oz Au**
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	0	0	0	769,032	62,484
ESOZ	315,000	5,985	315	315	81,290	46,742
SOZ (Au)	400,234	3,162	2,121	2,081	155,446	56,807
SOZ	861,951	10,602	4,396	3,448	343,390	34,756
SOZ (Pb/Zn)	698,694	2,935	17,817	19,284	544,756	5,409
Summary	**t**	**t Cu**	**t Pb**	**t Zn**	**oz Ag**	**oz Au**
New Mineral Hill Global Resource	5,173,879	61,083	83,349	47,528	6,119,721	222,489
Old Global Resource	2,687,000	31,091	51,768	15,468	4,388,871	76,667
Added since July 2011	**2,486,879**	**29,992**	**31,581**	**32,060**	**1,730,850**	**145,822**
% Change	93%	96%	61%	207%	39%	190%

Geology / Metallurgy

- The area is characterised by a diverse range of base and precious metal deposit styles reflecting both multiple phases of mineralisation, with a wide variety of secondary oxide and sulphide minerals present in the near-surfaced oxidised parts of the Mineral Hill system. The main mineralized zones span the areas of: Pearse, Ashes, Jacks Hut, Iodide/West Iodide, Southern Ore Zone (SOZ), Eastern Ore Zone (EOZ), Access Breccia, GD140 and Parkers Hill.

Mining Potential

- Mining in the area dates back to 1900s then dominated by mining of high-grade silver halides and lead carbonates in oxide and supergene horizons within sediments.

Parkers Hill Copper-Silver-Lead-Zinc project – Underground Mine

Location

- The current Parkers Hill resource, previously un-mined, is a poly-metallic deposit situated to the east of the existing mined ore zones at Mineral Hill and located 850 metres east of the current processing plant. The deposit consists of a copper rich core surrounded by lead-zinc-silver mineralisation. It is copper dominant in the primary zone and lead-silver dominant in the oxidised zone. Pre-existing development drives provided KBL with access to the targeted high-grade copper zone. Building on the previously established indicated Sulphide Resources of 1.2M tonnes @1.9% Cu, 1.2% Pb, 1.2@ Zn and 35g/t Ag (0.6% Cu Cutt-off grade), KBL successfully identified additional mineralisation at both the north and southern end of the Parkers Hill structural corridor.

- In July 2011, the company announced the commencement of copper concentrate production sourced from its Parkers Hill deposit, following the refurbishment of its processing plant at Mineral Hill with an initial production of 1,000 tonnes of copper concentrate. The first batch of copper concentrate was shipped on October 20, 2011 to Yunnan Copper (China) under a 6-month off-take arrangement. Management is confident copper-in-concentrate production will meet the planned target of 5,200 to 5,600 tonnes per annum rate.

Pearse Gold Project – Open Cut Mine

Location

- Pearse is a shallow high grade gold deposit situated 1 km north of the Mineral Hill process plant. The site straddles the boundary between the Mineral Hill explorations licence (EL1999) and certain Mineral Hill mining licences.
- A series of successful drilling programs by KBL resulted in the discovery and delineation of the high-grade deposit and confirmation of its near surface mineralization.

Resources and Reserves

- In September 2010, the company reported Proven & Probable Ore Reserves for Pearse Project open cut mine of 235,240 tonnes @ 6.92 g/t gold and 71.7 g/t silver for 51,956 ounces of gold and 539,746 silver ounces. The reserve is at depths of less than 100metres from the surface. KBL received approval to develop the Pearse open pit mine from the Lachlan Shire Council on in October 2011.

Pearse Production Outlook

- KBL plans to commence mining the Pearse open cut mine from mid-2012 at a rate of approximately 120,000 tonnes of ore per annum for up to two and a half years.

Mineral Hill Processing Plant

- Since the end of mining activities by Triako in 2005, due to low metal prices, the original processing plant, consisting of a crushing plant, two separate ball mills, a flotation circuit and a carbon-in-leach (CIL) circuit, had been on a care and maintenance program.
- Following refurbishment of the plant in 2010, at a cost of approximately a $7M as at June 30, 2011, including the addition of new offices and facilities, production of copper concentrate commenced in in mid-July 2011 with the first shipment shipped on October 20,2011.
- Planned CAPEX for further upgrades are pegged at $8M.
- As at January 9, 2012 copper concentrate production was tracking at 16% above expectations at 35 tonnes per hour or 290,000 tpa. Budgeted plant upgrades, are currently underway, which will raise production capacity at the plant to between 400,000 tpa to 500,000 tpa (currently at 290,000 tpa to 330,000 tpa) and accommodate the potential production of gold from Pearse from mid 2012.

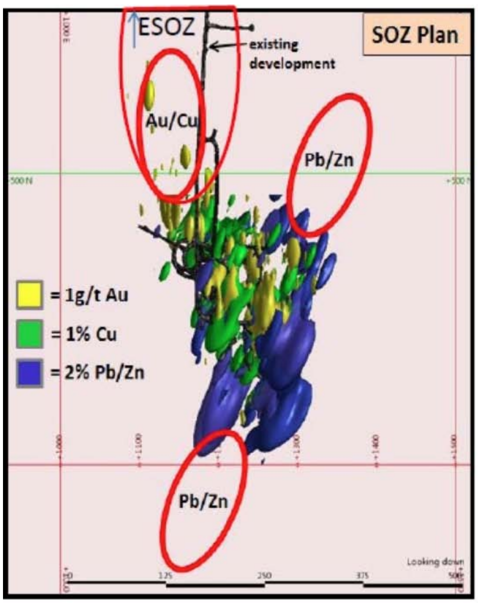
Mineral Hill Development Strategy - dual track development approach at Parkers Hill and Pearse

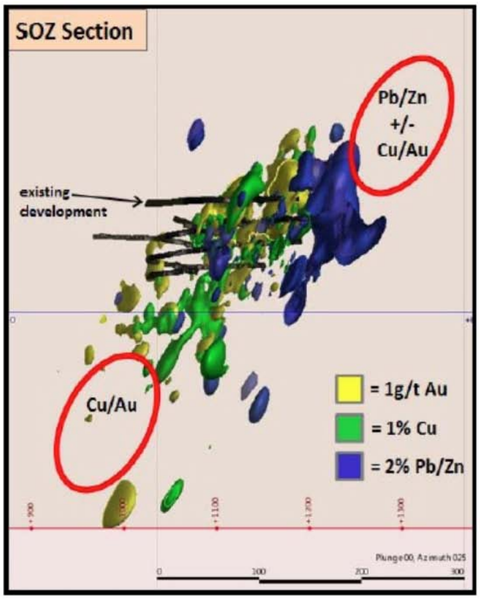
- Initial production plans at Mineral Hill involved a sequential development approach with Pearse gold-silver ore being treated first followed by treatment of high-grade parts of the Parkers Hill deposit. However, after reassessment of the Parkers Hill resource and the opportunity to use previously established underground access infrastructure, KBL decided to bring forward copper production, and pursue production of both in parallel.
- Managements' current strategy entails a dual track development approach with parallel development of the Pearse open pit gold/silver mine, and the Parkers Hill underground copper mine, with processing of both to be conducted at the existing plant. Eventually the plant will have two process streams, allowing the treatment of gold-dominant ores through a carbon-in-leach circuit and base metal ores through a flotation circuit.

Mineral Hill – Exploration Activity (EOZ, SOZ, Iron Duke)

- Since listing, KBL's focus at Mineral Hill has been to expand the site's resource inventory through further exploration of existing and new prospects, and refurbishing and increasing the capacity of the original production plant. Recent drilling programs have resulted in a re-evaluation and upgrade of the original Parkers Hill resource, and the delineation of two maiden resources, Eastern Southern Ore Zone (ESOZ) and Southern Ore Zone (SOZ) and a high-grade gold ore resource at the Pearse deposit. In addition to the identification of several other mineralization targets adjacent to these, KBL has also flagged further exploration at the nearby Iron Duke copper-gold project for 2012. Exploration activity to date has proven successful, which augurs well for managements' aim to extend the life of the mine to 10 years subject to increasing processing capacity of the plant to 400,000 tonnes to 500,000 tonnes of ore per annum.
- **Eastern Southern Ore Zone (ESOZ).** Drilling results in 2011 confirmed the existence of a high-grade Cu-Au structure at the Eastern Ore Zone (EOZ), with a strike length of more than 350m extending for over 150m down dip, situated adjacent to existing underground infrastructure.
- **Southern Ore Zone (SOZ).** Most recently the company announced a maiden gold-copper resource discovery at the Southern Ore Zone (SOZ) with first estimates pegged at 1.96m tonnes, which includes a high grade component of 400,000 tonnes at 4.4g/tAu and 0.8% Cu.

Map of new resources and prospects

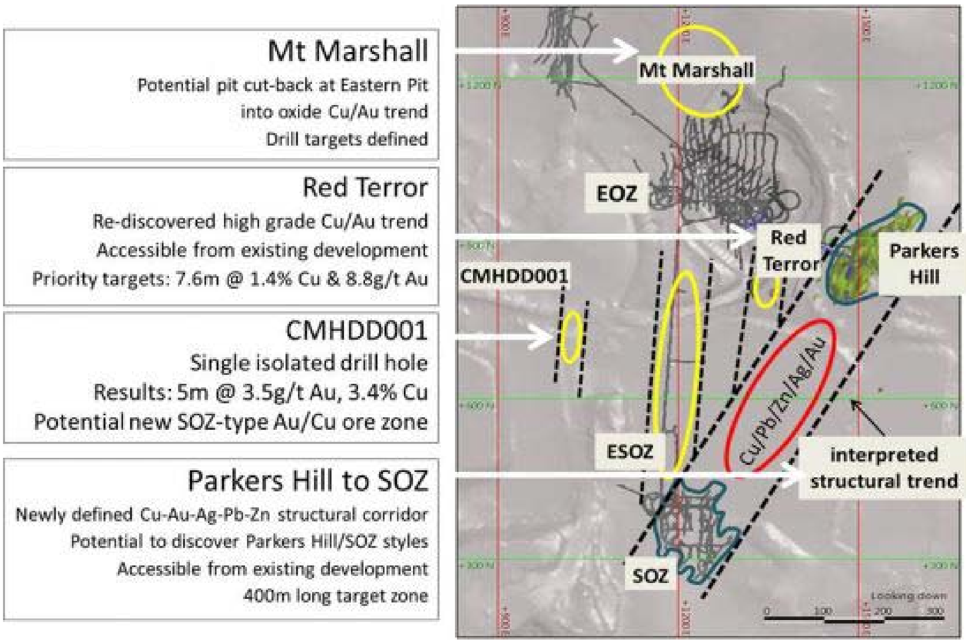




- **Iron Duke copper-gold tenement (KBL 100%).** The Iron Duke project, is located approximately 50km northeast of Mineral Hill via the Tottenham-Mineral Hill road and consists of EL 6064 covering 28.94km^2. EL 6064 is in the process of being renewed; the renewed tenement will cover an area of approximately 14.47km. Past exploration by Triako in 2005/2006 found copper-gold mineralization in shallow drilling over a strike length of 300m.
- KBL has recently completed a soil geochemical sampling program over an area of approximately 14 km^2 that has defined copper and arsenic anomalous zones to the southwest of the Iron Duke deposit, located 50 km by road from the Company's Mineral Hill Mine in central NSW.
- KBL plans to commence diamond drilling at the site with the aim of leveraging the refurbished production plant Mineral Hill with the open cut ore feed trucked in from Iron Duke.

Mineral Hill – Exploration Activity (New targets)

- In addition to the resources at Parkers Hill and Pearse, KBL has identified numerous targets adjacent to the existing underground mine infrastructure that have the potential to provide medium term ore feed to the re-started plant.



Valuation of the Mineral Hills Project

- KBL's Mineral Hill project has been valued on the basis of a discounted cash flow (DCF) incorporating company guidance as to costs and production, and our long term copper and gold price of US$8,704/t and US$1,900/t respectively.
- We have used our forecasts of production volumes and resulting cash flows with an weighted average cost of capital (WACC) of 10% to derive a fair value of $0.54 per share for the Mineral Hills project.
- Production throughput is assumed to increase by mid 2012 to coincide with the commencement of mining at the Pearse deposit, and recognizes current resources (as at November 2011) at a conversion to Reserve rate of 50%, which we believe is conservative given recent drilling results in the area. Given our resource conversion assumption the resulting Life of Mine is 8 years.

Key Model Assumptions

ROM production rate 400,000 tpa by end of 2012	
Head Grade (%Copper) of	2.10%
Recovery rate (copper) of	88%
Head Grade (Gold) of	0.40g/t
Recovery rate (Gold) of	88%
NSW State royalty as % of revenue	4%
Capex 2012	~ A$0.49M
Capex 2013	~ A$13.625M
Depreciation method –	straight line
No dividend payment	n/a
A$/US$ rate	0.98

Valuation Upside Potential

- Our NPV for the Mineral Hill project only considers Parker Hill, Pearse and a modest 50% conversion ratio of resources (as per ASX announcement November 2, 2011) to reserves.
- Given that KBL is active on several fronts both on-site and nearby at Iron Duke, we view our valuation of the asset as a base case with significant upside potential in the medium term.

Key pricing assumptions

Key Assumptions		2012	2013	2014	2015	2016	2017	2018
Exchange Rate	**A$ / US$**	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Copper	**USD / t**	8704	8704	8704	8704	8704	8704	8704
Zinc	**USD / t**	2197	2197	2197	2197	2197	2197	2197
Lead	**USD / t**	2391	2391	2391	2391	2391	2391	2391
Silver	**USD / oz**	36	36	36	36	36	36	36
Gold	**USD / oz**	1900	1900	1900	1900	1900	1900	1900

Key Assumptions	2012	2013	2014	2015	2016	2017	2018	2019	2020
Exchange Rate (AUD/USD)	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Copper (USD/t)	8704	8704	8704	8704	8704	8704	8704	8704	8704
Zinc (USD/t)	2197	2197	2197	2197	2197	2197	2197	2197	2197
Lead (USD/t)	2391	2391	2391	2391	2391	2391	2391	2391	2391
Silver (USD/oz)	36	36	36	36	36	36	36	36	35.9
Gold (USD/oz)	1900	1900	1900	1900	1900	1900	1900	1900	1,900
Ore Mined (t)	201,545	277,160	364,216	456,300	457,550	456,300	456,300	456300.0	228,150
Ore Treated (t)	184,349	274,626	365,416	457,710	458,964	457,710	457,710	457710.0	228,855
Metal Production									-
Underground									-
Cu (t)	3,330	5,075	6,753	8,458	8,482	8,458	8,458	8,458	4,229
Ag (oz)	90,786	145,686	193,848	242,809	243,474	242,809	242,809	242,809	121,405
Au (oz)	563	1,413	10,574	13,244	13,280	13,244	13,244	13,244	6,622
Zn (t)	879	989	1,315	1,648	1,652	1,648	1,648	1,648	824
Pb (t)	661	741	987	1,236	1,239	1,236	1,236	1,236	618
Open Cut									
Ag (oz)	-	121,048	122,008	-	-	-	-	-	-
Au (oz)	-	20,917	15,501	-	-	-	-	-	-
Revenue									
Underground									
Cu (USD)	26,240,875	41,580,195	53,492,016	65,529,750	65,917,500	65,529,750	65,529,750	65,529,750	32,764,875
Ag (USD)	2,740,373	4,533,058	5,802,760	7,262,332	7,305,347	7,262,375	7,262,332	7,262,332	3,631,166
Au (USD)	829,480	2,338,514	15,341,156	18,016,459	18,122,061	19,600,615	19,609,969	19,609,969	9,804,984
Zn (USD)	-	-	-	-	-	-	-	-	-
Pb (USD)	-	-	-	-	-	-	-	-	-
subtotal (USD)	29,810,728	48,451,767	74,635,932	90,808,540	91,344,908	92,392,740	92,402,050	92,402,050	46,201,025
Open Cut								-	-
Ag (USD)	-	4,062,565	4,055,677	-	-	-	-	-	-
Au (USD)	-	38,097,769	27,085,223	-	-	-	-	-	-
subtotal (USD)	-	42,160,334	31,140,900	-	-	-	-	-	-
Total Revenue (USD$)	29,810,728	90,612,101	105,776,833	90,808,540	91,344,908	92,392,740	92,402,050	92,402,050	46,201,025
USD/AUD	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Total Revenue Mineral Hill (A$m)	30.4	92.5	107.9	92.7	93.2	94.3	94.3	94.3	47.1
Expenses (A$)									
Parkers Hill - Mining	18.4	20.9	27.5	34.4	34.5	34.4	34.4	34.4	17.2
Parkers Hill - Milling	6.9	6.7	8.2	9.7	9.8	9.7	9.7	9.7	4.9
Shipping	2.0	2.8	3.7	4.7	4.7	4.7	4.7	4.7	2.3
TC/RC	1.6	2.3	3.2	3.8	3.8	3.8	3.8	3.8	1.9
Sales agent fees	0.3	0.7	0.9	0.8	0.8	0.8	0.8	0.8	0.4
Pearse - Mining / Processing	0.0	9.2	17.5	-	-	-	-	-	-
Management & Admin	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	1.2
Cash Cost of Production	**31.6**	**45.0**	**63.4**	**55.8**	**55.9**	**55.8**	**55.8**	**55.8**	**27.9**
NSW State Royalty (4%)	0.3	0.7	0.9	0.8	0.8	0.8	0.8	0.8	0.4
Corporate Overheads (Corp Admin $200k per month esc @1% pa)	2.4	2.4	2.5	2.5	2.5	2.5	2.6	2.6	2.6
Total cost	**34.2**	**48.2**	**66.8**	**59.0**	**59.2**	**59.1**	**59.1**	**59.1**	**32.0**
Earnings Before Interest and Tax & Depreciation (EBITDA)	**-3.8**	**44.3**	**41.1**	**33.7**	**34.0**	**35.2**	**35.2**	**35.2**	**16.3**
Depreciation -Based on Capex ($0.49M in FY12 + $13.625M in FY13)	0.1	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Depletion									
Earnings Before Interest and Tax (EBIT)	**-3.9**	**42.3**	**39.1**	**31.7**	**32.0**	**33.2**	**33.2**	**33.2**	**14.3**
Net Interest Paid	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Taxable income (pre tax)	-4.9	41.3	38.1	30.7	31.0	32.2	32.2	32.2	13.3
Income Tax @ 30%	0.0	8.1	11.4	9.2	9.3	9.7	9.7	9.7	4.0
Net Profit	**-4.9**	**33.2**	**26.7**	**21.5**	**21.7**	**22.5**	**22.5**	**22.5**	**9.3**
Earnings after Tax	-4.9	33.2	26.7	21.5	21.7	22.5	22.5	22.5	9.3
Free Cash Flow	**-4.5**	**33.0**	**26.5**	**21.3**	**21.5**	**22.3**	**22.3**	**21.3**	**8.1**

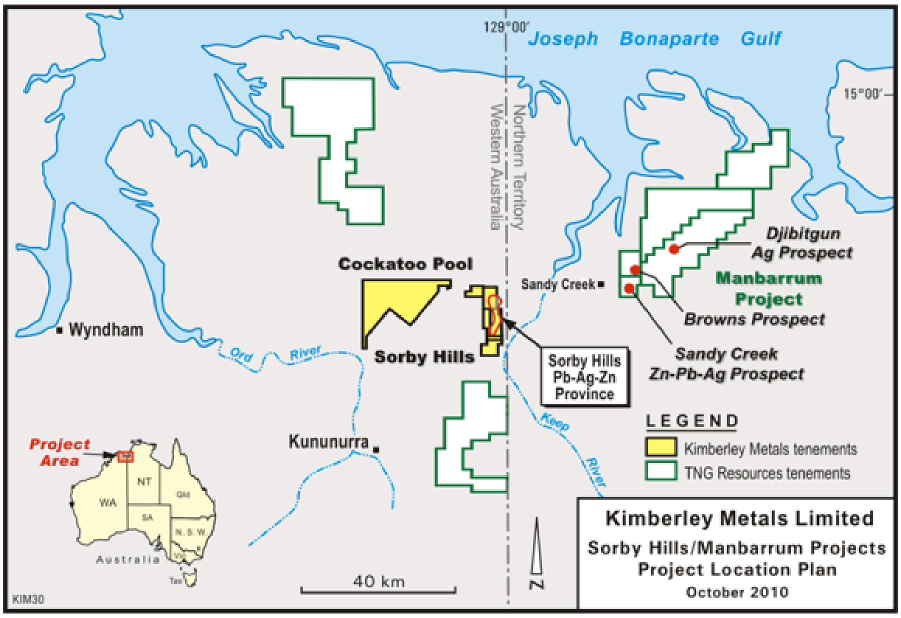
Net Present Value @ 10% Nominal	108.9
Value of Net Assets	108.2
No of Shares	191.5
Value per Share (A$) - Mineral Hills project	0.57

IIR's forecast estimates of operating parameters and DCF valuation of KBL's Mineral Hill Project

Sorby Hills Silver-Lead-Zinc project - (KBL 75% Yuguang 25%)

Location

- The Sorby Hills lead-silver project is located in the north-east of the Kimberley region of Western Australia WA), in the general area of the Ord River Irrigation Scheme, and 120km from the port of Wyndham. The closest regional centre to the project is the town of Kununurra, which is approximately 50km away by road. KBL acquired the project in 2008 and subsequently renewed mining leases for a further 21 years. Previous uncertainty over the future development of the project in relation to the expansion of the Ord River irrigation scheme, which has impacted previous mining efforts on the project, has been resolved.



- The Sorby Hills project has a long history of exploration but no mining activity, dating back to its discovery in 1971 by Aquitaine Australia Minerals. The project was later held by BHP until 1996, after which the project remained dormant until 2007 when CBH completed additional drilling and commissioned an updated resource estimate. The project was later incorporated into the CBH spin out of KBL in 2008.
- On April 16, 2010, KBL entered a joint venture arrangement with Henan Yuguang Lead & Gold Co., Ltd. (Yuguang), China's largest producer of refined lead and silver metal, to co-develop the site. Under the agreement, Yuguang received a 25% Joint Venture Participating Interest in the Sorby Hills project located on Mining Leases 80/196, 80/197,80/285,80/286 and 80/287 and Exploration License E80/1187 for a capital contribution of $5M (earmarked for a Bankable Feasibility Study for the project).
- Also under the agreement Yuguang received a placement of KBL shares representing 15% of KBL's expanded share capital at the time of issue for a further $5.2M and the right to mineral off-take in line with its project participation interest.

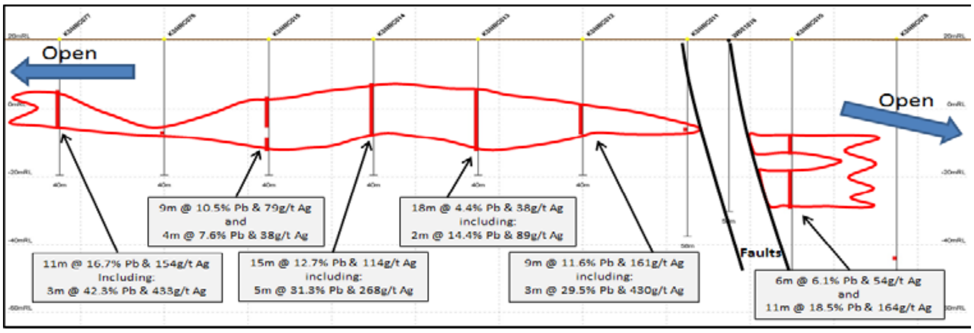
Resources and Reserves

- JORC resource table for Sorby Hills as reported at September 31, 2011 below:

Cut-off	Category	Tonnes	Grade		
		(millions)	Silver g/t	Lead %	Zinc
2.5% Lead	Inferred/Indicated	17.7	53	4.4	0.7
1.0% Lead	Inferred	28.4	43	3.4	0.6

Geology / Metallurgy

- The project consists of a series of 17 mineralised deposits that make up an 8 kilometre long trend of near surface silver-lead-zinc deposits in the Burt Range Formation within the Bonaparte Basin. The mineralisation is considered to be characteristic of " Mississippi Valley Type " (MVT) deposits, which are typically carbonate-hosted sulphide bodies comprising sphalerite, galena, iron sulphide (pyrite, marcasite), and carbonates (calcite, dolomite). This type of deposit typically exhibits soft grinding characteristics and high metallurgical recoveries, which from an operating cost perspective are attractive traits. Funding from the Yuguang joint venture enabled a further 96 hole, 9560 metre reverse circulation and diamond drilling program completed in 2010 targeting predominantly shallow higher grade D-E deposits and a 109 hole (5,759m) Reverse Circulation drill program. These programs support the JV's strategic plan to commence a 400,000 to 550,000 tonnes per annum open cut mining operation from 2013.
- Cross-section from D-E deposit showing Pb-Ag mineralization less than 15m from surface.



- The latest drilling results from the 2011 program as at December 22, 2011, demonstrate KBL's success to date in the conversion of Inferred Resource to Indicated status and are incorporated into the resource table below.

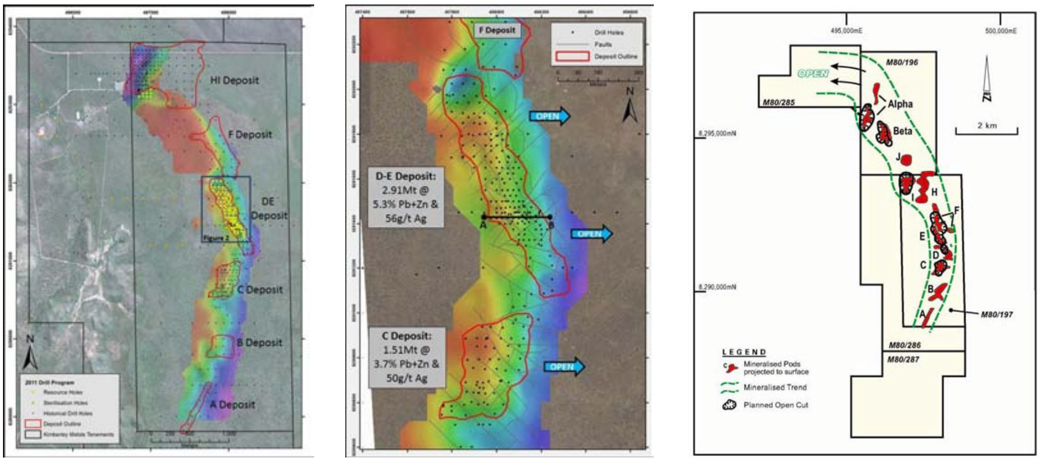
Sorby Hills Project

Category	Tonnes (kt)	Pb%	Zn%	Ag ppm	Pb+Zn%
Measured	0	0	0	0	0
Indicated	4,674	4.7	0.4	63	5.1
Inferred	11,988	4.5	0.9	48	5.3
Total indicated & inferred	16,662	4.5	0.7	52	5.3

Sorby Hills project development strategy and current project status

- KBL aims to grow production in essentially 2 steps over the next 4 years. Additional drilling in 2011 confirmed a high percentage of the total Inferred Resource at D, E and C deposits (previously all Inferred Resource) being upgraded to Indicated through infill drilling.
- These Pods would in Stage One be developed to support a 450,000-500,000 tpa of ore per annum capacity plant by 2014, rising to 1.2 million tonnes of ore per annum on successful project delivery for a projected mine life of at least 10 years through the addition of subsequent Pods.
- A Pre-Feasibility Study currently in progress, is expected to be completed by February 2012. The company aims to complete the Definitive Feasability Study by mid 2012 for potential project approval late 2012 and production by 2013.
- During 2011, KBL appointed Mr Ed Newman, to manage the technical studies and manage the operational move towards development in 2013.

Sorby Hills project - Mineralised Pods



Valuation of the Sorby Hills

- We have used a market-based approach to value the Sorby Hills project having identified a direct investment comparison with a recent transaction in the area.
- On November 30, 2011, Meridian Minerals' largest shareholder Northwest Nonferrous International Investment Company (41.3% stake) in its takeover of the company via Share of Agreement, agreed to pay shareholders cash consideration of $0.14 per share valuing Meridian at approximately $68M. At the time, Meridian's major asset was the Lennard Shelf Lead-Zinc project in the Kimberly region.

The Lennard Shelf Lead-Zinc project

- The Lennard Shelf Lead-Zinc project situated in the Kimberley region of Western Australia spans 1000km^2 and represents approximately 17.7million tons, grading 4% Lead and 5.5% Zinc. As with Sorby Hills, Meridian's project was situated within a Mississippi Valley Type (MVT) deposit and contained primarily Lead and Zinc. A feasibility study had been complete but no production commenced.
- Although both projects are lead-zinc focused and of MVT, notwithstanding Sorby Hills silver resource, we recognize the following physical differences and their potential impact to the respective projects' economics.

Sorby Hills	Lennard Shelf
Unmined	Mined since 1988
Open Cut depths	Underground
Resource drilling only	Substantial reserves added
120km to Wyndham	~300km to Derby Port

- Positive infrastructure and logistic considerations aside, we believe an open-cut mining method as proposed at Sorby Hills, all else equal, compared with an underground mining operation offers significant cost advantages and higher operating margin.
- The table below provides an example of current indicative operating costs for an underground mine versus an open–cut mine.

Cost component	A$M per tonne	
	Underground	Open-cut
Mining	75	10
Processing	25	25
Admin/safety/env	10	10
Total cost per tonne	110	45
Value of metal	145	145
Operating margin	35	100

- The table below compares JORC resources for the Lennard Shelf project with those of Sorby Hills.

Lennard Shelf Project*

JORC Classification	Tonnes (kt)	Pb%	Zn %	Ag ppm
Measured	24	9.8	6.8	0
Indicated	3,389	2.7	7.4	0
Inferred	14,317	4.4	5.1	0
	17,730			

Sorby Hills Project**

JORC Classification	Tonnes (kt)	Pb%	Zn %	Ag ppm
Measured	0	0	0	0
Indicated	4,674	4.7	0.4	63
Inferred	11,988	4.5	0.9	48
	16,662			

*Source - Independent Expert's Report (Meridian Scheme Booklet - dated 19 October 2011)
** KBL - ASX announcement 22 December 2011

- Our valuation method risk-adjusts the respective JORC categories of resources to allow for a like to like comparison between the two projects using the following conversion from resource to reserve probabilities:

JORC Categories and IIR resource to reserve conversion ratios*

Mineral resource	Risk weighting	Mineral Reserve	Risk weighting
Measured	80%	Proved	100%
Indicated	60%	Probable	90%
Inferred	40%		

*IIR estimates

Lennard Shelf Project*

	Risk weighted	Risk weighted	Lead Equivalents	Lead Equivalents	Lead Equivalents
JORC Classification	Pb (t)	Zn (t)	Pb (t)	Zn (t)	Total (t)
Measured	1,882	1,306	1,882	1,276	3,158
Indicated	54,902	150,472	54,902	147,083	201,985
Inferred	251,979	292,067	251,979	285,490	537,469
	308,763	443,844	308,763	433,849	742,612

*Source: Independent Expert's Report (Meridian Scheme Booklet - dated 19 October 2011)

Sorby Hills Project**

	Risk weighted	Risk weighted	Risk weighted	Lead Equivalents	Lead Equivalents	Lead Equivalents	Lead Equivalents
JORC Classification	Pb (t)	Zn (t)	Ag (t)	Pb (t)	Zn (t)	Ag (t)	Total (t)
Measured	-	-	-	-	-	-	-
Indicated	131,807	11,218	177	131,807	10,965	84,423	227,194
Inferred	215,784	43,157	230	215,784	42,185	109,983	367,952
	347,591	54,374	407	347,591	53,150	194,406	595,146

Source: ** KBL - ASX announcement 22 December 2011

- Using the $68M acquisition price for Meridian Minerals, effectively values the Lennard Shelf project at $92 per tonne of risk adjusted lead equivalent resource, which we have used as our benchmark proxy metric.

- Sorby Hills' comparative cost advantages to the Lennard Shelf project, include the following: open-cut mining method; proximity to established infrastructure, which includes the town of Kununurra and access to Port Wyndham. To recognize these differences and the fact that corporate overheads in our valuation of KBL have been largely captured in our valuation of Mineral Hill we subjectively ascribe a premium of 50% to our metric to generate a value of $138 per tonne of lead equivalent risk adjusted resource to derive a total asset value of $81.8M. Given KBL's 75% JV interest, we therefore derive a fair value of KBL's stake at $61.3M or $0.31 per share.

Manbarrum (Farm in) – Lead-Silver-Zinc (KBL 51%)

Location

- Manbarrum is a 30km long zinc-lead-silver mineralised trend, located 40km east of the Sorby Hills tenements in the Northern Territory. It contains Indicated and Inferred Resources at Sandy Creek (24 Mt @ 1.8% Zn, 0.5% Pb, 4.6 g/t Ag) and Inferred Resources at Djibitgan (9.5 Mt @ 20 g/t Ag, 0.6% Zn).
- During 3Q11, KBL completed a farm-in and joint venture arrangement with TNG Ltd over the Manbarrum area. The site is considered to be a continuation of the mineralization at Sorby Hills along a syncline around the Bonaparte Basin.
- Under the arrangement, KBL has the right to a 51% interest in the tenements in return for spending $4.5M over 3 years with an initial $500,000K cash payment, $2M of exploration expenditure and a final cash payment of $2M. Subject to conditions at that time KBL may increase its interest to 80% by sole funding exploration through to a decision to mine.

Resources and Reserves

- Potential combination of Sorby Hills and Manbarrum projects currently represent a combined Inferred and Indicated Resource in excess of 50 million tonnes of mineralised material with contained metal of approximately 600,000 tonnes of zinc, 900,000 tonnes of lead and 40 million ounces of silver.

Manbarrum (Farm in)

Sandy Creek Primary Zone

JORC Classification	Tonnes (kt)	Pb%	Zn%	Ag ppm (g/t)
Measured	0	0	0	0
Indicated	12,900	0.6	2.1	4.8
Inferred	10,000	0.3	1.5	4.4
	22,900			

Djibitgan Oxide Zone

JORC Classification	Tonnes (kt)	Pb%	Zn%	Ag ppm
Measured	-	-	-	-
Indicated	-	-	-	-
Inferred	9,500	-	-	-
	9,500			

Geology/Metallurgy/Mining potential

- The Manbarrum project tenements cover 23 kilometres of strike length of the carboniferous Upper Burt Range Formation dolomites within the eastern Bonaparte Basin an area known for its numerous occurrences of base metal mineralisations. Manbarrum is characterised by the same MVT type Lead-Zinc-Silver mineralisation found at the Sorby Hills project.
- The proposed exploration focus at Manbarrum as stated by management will be on shallow high-grade sections for early addition to the Sorby Hills development.

Valuation of Manbarrum

- Using the same benchmark metric and premium as Sorby Hill, to assess Manbarrum, we envisage KBL's 51% JV interest, when earned subject to the project's farm-in agreement, would add $0.08 per share to our current valuation.

Manbarrum (Farm in)

Sandy Creek Primary Zone

	Risk weighted	Risk weighted	Risk weighted	Lead Equivalents	Lead Equivalents	Lead Equivalents	Lead Equivalents
JORC Classification	**Pb (t)**	**Zn (t)**	**Ag (t)**	**Pb (t)**	**Zn (t)**	**Ag (t)**	**Total (t)**
Measured	-	-	-	-	-	-	-
Indicated	46,440	162,540	37	46,440	158,880	17,753	223,072
Inferred	12,000	60,000	18	12,000	58,649	8,410	79,059
	58,440	222,540	55	58,440	217,529	26,162	302,131

Djbitgan Oxide Zone

	Risk weighted	Risk weighted	Risk weighted	Lead Equivalents	Lead Equivalents	Lead Equivalents	Lead Equivalents
JORC Classification	**Pb (t)**	**Zn (t)**	**Ag (t)**	**Pb (t)**	**Zn (t)**	**Ag (t)**	**Total (t)**
Measured	-	-	-	-	-	-	-
Indicated	-	-	-	-	-	-	-
Inferred	-	-	76	-	-	36,315	36,315
	-	-	76	-	-	36,315	36,315

Constance Range Project – Iron Ore (KBL 30%)

Location

- KBL also holds a 30% joint venture interest in the Constance Range Iron Project, a lower order priority at this stage. The project consists of Exploration Permit for Minerals ("EPM") 14479, covering 192km^2, located 280km northwest of Mt Isa, Queensland adjacent to the Queensland-Northern Territory border. The tenement covers part of the Boodjamulla National Park and associated buffer zone as well as a Wild River area associated with Musselbrook Creek.
- Development options including infrastructure are being reviewed with the Queensland Government. Work completed during the quarter included initial government consultation and discussion on regulatory and planning related to the project area.

Resources and Reserves

	Classification	Tonnes (kt)	Grade				
			Iron %	Silica %	Phosphorus %	Aluminium Oxide %	LOI %
Within National Park	**Inferred**	59,590	52.7	10.58	0.02	1.64	11.28
Within Buffer Zone	**Inferred**	131,950	53.1	10.51	0.02	2.09	11.11
Outside Zone	**Inferred**	104,410	53.4	10.09	0.02	1.02	11.23
Total	**Inferred**	295,960	53.1	10.38	0.02	1.63	11.19
Total (excluding National Park)	**Inferred**	236,370	53.2	10.33	0.02	1.62	11.16

Geology / Metallurgy

- The Constance Range iron deposits are part of a regional iron formation within the South Nicholson Basin in northwest Queensland. Exploration title is held over a 25 km strike length of the bedded ironstone sequence that is approximately 180 metres thick and contains three main ironstone units of approximately 20 metres thickness each.
- The ironstones are characterised by ochrous red hematite and quartz grains in a cement of quartz, hematite and chamosite. Surface and near-surface ironstone units tend to be higher in grade (up to 60% Fe) and silica (up to 20% SiO2) than the deeper, fresher ironstones due to the oxidation of primary siderite to secondary hematite. The grade is highly variable, with some low-grade areas consisting of ferruginous sandstones.

Mining Potential

- Scoping studies are planned to better define development parameters. This will provide the basis for seeking Queensland Government support for the project, particularly in relation to mining activities within a 1km buffer zone adjacent to the National Park boundary. Without government support for mining within the buffer zone, it is unlikely that a development strategy for these resources could be established. If government support is evident, detailed infrastructure plans can be developed. Further investment can then be directed to infill drilling for mine planning.

Financials

- KBL reported a cash balance of A$2.35M at the end of December Quarter 2011. Cash from operations during the quarter was negatively impacted by the late sailing of the second copper shipment in December, with payment of $1.53M now booked in January, and delays due to the ramping up of copper concentrate production. Management expects its next shipment of copper concentrate of approximately 1,500 tonnes, scheduled for January 26, 2012, to generate a provisional payment of approximately $2.35M. As at the end of FY11, KBL had net assets of $43.1M, cash on hand of $8.4M, and long-term debt of approximately $3M, which mostly reflected a contingent liability to Triako. According to management current long term debt stands at $14M comprising of $3.3M mostly from contingent liability payments to Triako and the balance related to the company's convertible note issue of September 28, 2011.

Risks

- **Ore Body Risk** – Uncertainties in ore reserve estimation, mine planning and mineral project evaluation.
- **Mining Risk**- Inherent technical risks associated with all mining projects irrespective of method used.
- **Construction and Infrastructure Development Risk**- As with the construction of all mines, potential for costs to escalate in both the scaling up of the Mineral Hill processing plant and the development of Sorby Hills both stage one and two are significant.
- **Commissioning Risk** –Reaching Stage one project status at Sorby Hills relies on a co-ordinated effort between commissioning of the proposed plant and progress on the open cut mining front. This risk is mitigated to a large degree by the lower capital costs involved in the open cut mining operation.
- **Commodity Price**. The global economic environment remains volatile and could potentially add to pricing risk of commodities. However, off-take agreements established with GMR, once the deal is approved, should offset part of this risk.
- **Exchange Rate Risk-** Global sales of KBL's precious and base metal production are typically denominated in USD and therefore exposes the company to currency risk
- **Permitting Risk** – Permits are essential for the development of any project. Construction and operating permits relating to Mineral Hills are in place with Sorby Hills pending approval.
- **Financing Risk** – A current cash balance of A$2.35M highlights the importance of access to capital for the continued funding of KBL operations. We believe the commencement of copper production at Mineral Hills and the transition to producer status reduces the dependence on external sources of funding.

Valuation of KBL

- Discounted cash flow (DCF) methodology was used to value the operating and near-term production projects of KBL with a sum of parts approach for the remaining select assets of Sorby Hills to derive a base case valuation of $0.88 per share.
- Our DCF model of KBL's most advanced project, Mineral Hills, incorporates a conversion rate for resources to reserves of 70%, and cost escalation factor of 1%, recovery rate of 95%, ROM OF 400,000 tpa, Life of Mine of 8 years and weighted average cost of capital (WACC) of 10%
- Sorby Hills is valued using the market-based method of comparable sales with reference to the recent takeover of Meridian Minerals by Northwest Nonferrous International Investment Company as a benchmark.
- Our valuation does not include the Iron Duke tenement or the Constance Range Project given early stage of development however we recognize that both sites represent upside to our base case valuation. Similarly we have excluded the more recently announced exploration targets of Mt Marshall, Red Terror, CMHDD001 and the newly defined Cu-Au-Ag-Pb-Zn structural corridor between Parkers Hill and SOZ. In addition, while we recognize the potential value of the Manbarrum JV subject to KBL's farm-in agreement, we have not included the project in our current valuation at this point.
- We have also excluded the recently announced GMR transaction from our valuation pending approval and the release of further details.
- A basic sensitivity analysis as shown below, given the parameters outlined above and all else being equal, suggests that our valuation is most sensitive to three key factors, namely: A$/US$ exchange rate, the long-term price of copper and to a lesser extent the long term price of gold.

KBL- Valuation Sensitivity Analysis

Sensitivity Analysis				
			Base Case	
A$/US$		**1.08**	**0.98**	**0.95**
% change in NPV per share		-15%	0%	6%
Copper	**USD/t**	**7,834**	**8,704**	**9,575**
% change in NPV per share		-2%	0%	1%
Gold	**USD/oz**	**1,710**	**1,900**	**2,090**
% change in NPV per share		-1%	0%	0%

- The joint sensitivity of our valuation to both the A$/US$ exchange rate and the long-term price of copper is presented below.

A$ / US$

Copper US$ / t	1.08	0.98	0.95	0.92	0.89
5,500	$0.65	$0.82	$0.87	$0.93	$0.99
6,500	$0.67	$0.83	$0.89	$0.95	$1.01
7,834	$0.69	$0.86	$0.92	$0.98	$1.04
8,704	$0.71	$0.88	$0.93	$0.99	$1.06
9,575	$0.72	$0.89	$0.95	$1.01	$1.08
10,500	$0.74	$0.91	$0.97	103	$1.09

Investment Case

- KBL's major asset is the Mineral Hills project, a significant strategic tenement holding located 50km from Condobolin in Central NSW. Although historically established as a mining resource, KBL has had significant exploration success in the area since commencing with the upgrade of the existing Parkers Hill Cu-Pb-Zn-Ag resource and the subsequent discoveries of Copper/Gold resources at Pearse, ESOZ and SOZ. KBL's other major focus currently is the evaluation and development of Sorby Hills, the company's Silver-Lead-Zinc asset in Western Australia (WA), which is one of the largest near surface undeveloped lead deposits in the world.

- We believe the commencement of production resulting in with the shipment of copper concentrate to Yunnan Copper Co. (YCC) in China marks a transformational event in the evolution of the company. In addition to generating cash flow, KBL's rapid transition to producer status since listing augurs well for management's ability to deliver near term objectives on several fronts including the development of the Sorby Hills Silver–Lead project, and the continued development of the various Mineral Hills deposits and prospects.

- We initiate coverage of KBL Mining Ltd (ASX: KBL) with a fair value target of $0.88 per share.

Peer comparison

- Notwithstanding the poly-metallic focus of KBL's overall portfolio, its most advanced project currently is the copper production operation at Mineral Hill. The table below highlights the current valuations per pound of copper assigned to comparative ASX-listed precious and base metal companies with a focus on copper.

Copper

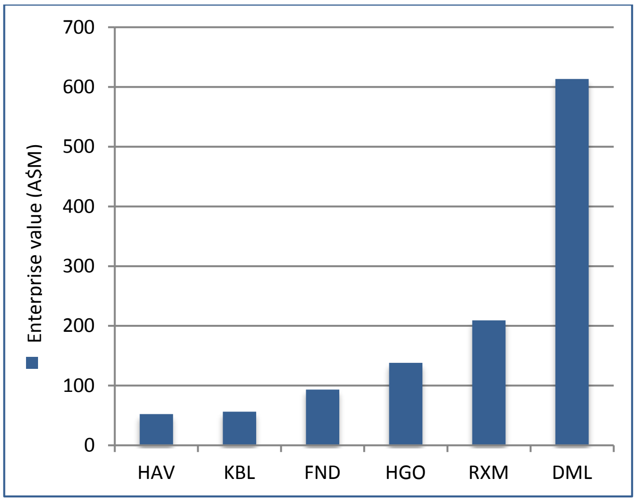
Company	ASX Code	Share price	Shares on issue	Market Cap	Net Cash	EV (A$M)	Key Metals	Mt	Cu	Cu (Mt)	EV / t	EV / lb
Havilah Resources	HAV	0.66	83	54.8	2.6	52.2	Cu, Au, Mo, Fe, Co	87.7	0.70%	0.62	$84.45	$0.04
Hillgrove Resources	HGO	0.23	794	182.6	44.6	138.0	Cu, Au	32.2	0.90%	0.29	$476.43	$0.22
Flinders Resources	FND	0.35	279	97.6	4.2	93.4	Cu, Au, Ag	9.0	2.50%	0.23	$415.02	$0.19
KBL Mining	KBL	0.30	187	55.4	-0.9	56.3	Cu, Au, Ag, Pb, Zn	5.2	2.48%	0.13	$439.01	$0.20
Rex Minerals	RXM	1.66	153	254.3	45.1	209.2	Cu, Au	217.0	0.70%	1.52	$137.71	$0.06
Discovery Metals	DML	1.60	439	702.4	88.8	613.6	Cu, Ag	111.5	1.40%	1.56	$393.08	$0.18

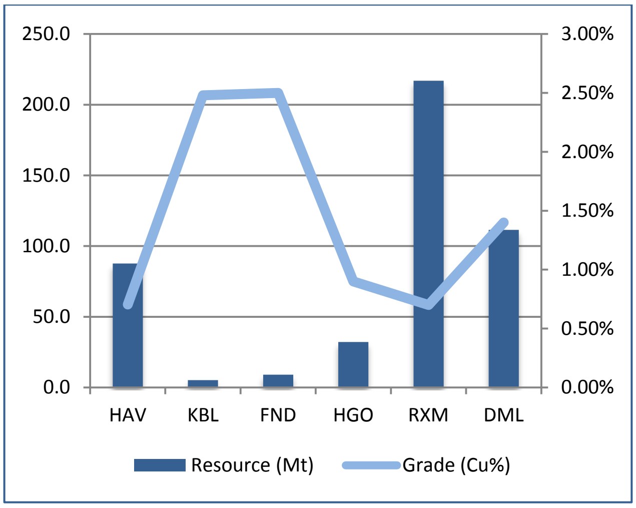
Primary data sourced from most recent available company financials, activity statements, and ASX company releases.

Share prices as at January 20 2012

Copper only resource considered

Using conversion of 2204.62 lb per tonne





Capital Structure

- As at 31 December 2011, there were 191.5M ordinary shares on issue. In addition, there were 5M unlisted options on issue exercisable at various dates and prices.
- Board and management hold approximately 3% of the issued capital.
- As at 7 October 2011, there were two substantial shareholders:
  - Yuguang (Australia) Pty Ltd: 11.1%
  - Toho Zinc Co Ltd: 7.0%

Recent Events

- On January 24, 2012, KBL announced a share purchase plan (SPP) for all Australian and New Zealand shareholders for up to $15,000 of KBL shares. The subscription price for the SPP will the lesser of 25cps or the market average price for KBL over the last 5 days recorded before the day on which the SPP shares are issued (expected to be February 27 2012) less a 15% discount. (This report does not include any impact to funds available or shares on issue related to this announcement).
- On January 23, 2012, KBL announced a share placement of 8.8 million shares at 25 cents per share. The placement generated approximately $2.2M in funds which management indicated would be used for working capital. (As, above, this report does not include any impact to funds available or shares on issue related to this announcement).
- On January 18, 2012, KBL released quarterly results for December end 2011. The company reported a A$2.35M cash balance at the end of December Quarter 2011. Cash from operations during the quarter was negatively impacted by the late sailing of the second copper shipment in December, with payment of $1.53M now booked in January, and delays due to the ramping up of copper concentrate production. Management expects its next shipment of copper concentrate of approximately 1,500 tonnes, scheduled for January 26, 2012, to generate a provisional payment of approximately $2.35M.
- On January 10, 2012, KBL announced it had received final assays for the three remaining holes at the Pearse deposit considered positive, including 11m at 8.8g/t Au and 160g/t Ag from 52m in hole KMHRC113, 23m at 6.0g/t Au and 102g/t Ag from 65m in hole KMHRC114 and 26m at 6.4g/t Au and 74g/t Ag from 58m in hole KMHRC115. KBL plans to commence mining in the Pearse open cut mine from mid 2012 at a rate of 120,000 tonnes of ore per annum for up to two and half years.
- On January 9, 2012, KBL provided an update of Mineral Hill and reported a copper recovery rate of between 85 to 90% with an average grade of copper averaging better than the expected 25%. The company also reported a better than the 10% increase expected production rate of 290,000 tonnes per annum achieved in December.
- On December 29, 2011, KBL signed a Memorandum of Understanding with Guangdong Guangxin Mining Resource Group (GMR) for an A$80M payment for a 25% joint venture interest in Mineral Hill. GMR is a subsidiary of GGH the largest foreign trade group in Guangdong Province, Southern China, and its major platform for GGH's mining developments and investments. Subject to approvals from: the Australian government, the Chinese government, KBL and GMR shareholders; GMR will:
  - Subscribe for a fully diluted 15% shareholding, approximately 33 million shares (based on 191.5M shares outstanding), in KBL at a 25% premium to the 6-month VWAP immediately prior to the announcement, which if we assume equates to $0.34 per share amounts to approximately A$11.2M.
  - Purchase for A$80M a 25% joint venture interest in KBL's Mineral Hill Mine and Iron Duke Project; and
  - Have the benefit of a LOM off-take agreement in respect of KBL's 75% share (post transaction) of Mineral Hill copper concentrates incorporating a 25% discount to the prevailing LME copper price in lieu of conventional pricing structures including all treatment and refining costs, discounts and penalties.

We regard the transaction as positive for KBL both from a funding and strategic perspective, accelerating current initiatives at both Mineral Hill and Sorby Hills, in addition to supporting further assessment of in-mine exploration targets and other emerging opportunities. Nonetheless, we have excluded the deal from our valuation considerations at this point pending approval by stakeholders and the release of further details.

Board and Management

Modified from KBL Mining website

- **Jim Wall, Executive Chairman B Eng (UWA).** Mr Wall was Managing Director of Nicron Resources Limited during the 1980s and in 1991 became Executive Director of Aztec Mining Company Limited. From late 1991 until mid 1997, he was Managing Director of Savage Resources Limited and is a fellow of the Australian Institute of Mining and Metallurgy and is the former Executive Chairman of CBH Resources Limited, retiring in March 2009. He has previously been a non-executive director of Ferraus Limited and a director of Emperor Mines Limited (Chairman).

- **Bob Besley, Executive Director BSc (Hons) (U. Adelaide).** Mr Besley has more than 40 years experience in the minerals industry in Asia, the Middle East, North and South America, Australia and the Pacific Rim. He spent 13 years with Unocal, seven of those as Manager of Minerals for Australia and the Pacific and was General Manager of Australmin Holdings Limited when that company developed a minerals sands project in eastern Australia and a gold mine in Western Australia. Mr Besley was formerly the Managing Director of CBH Resources Limited.. He is currently Chairman of Silver City Minerals Limited and is a member of the Australasian Institute of Mining and Metallurgy.

- **John Richards, Non-Executive Director B Econ (Hons) (U Qld).** Mr Richards has more than 25 years experience in the international minerals industry in a variety of executive and investment banking roles. He worked with the Normandy Mining group of companies in Australia and Europe for 11 years, ending as Group Executive of Strategy and Business Development. He was Head of Standard Bank's Mining and Metals Advisory business in the Asia-Pacific region from 2002 to 2004, when he was appointed Managing Director of Buka Minerals Limited, an ASX-listed resources investment company and then as an Executive Director of Scarborough Minerals plc. He now works as a consultant in mining corporate finance. He is also a director of Integrated Resources Group Ltd

- **Stephen J Lonergan – Executive Director & Company Secretary.** Mr Lonergan is an Honours graduate in law from the Australian National University and holds a Masters degree in Law from McGill University, Montreal Canada. Mr Lonergan is a commercial lawyer based in Sydney with more than 30 years experience in the Australian and international mining industry having been General Counsel of Pancontinental Mining Group, a partner at Baker & McKenzie Sydney, and General Counsel and Company Secretary of Savage Resources Limited. Mr Lonergan was until recently General Counsel and Company Secretary of CBH Resources Limited. Directorships of other listed companies in the last 3 years: Paradigm Metals Limited and Finders Resources Limited.

- **Stuart Mathews - Chief Operating Officer.** Mr Stuart Mathews is a Graduate from the University of Canterbury in Christchurch, New Zealand and also holds a Masters of Science in Geology. He has 23 years plus mine operations, project development, exploration and mine geology experience with international exposure in Australia, New Zealand, South America, Mexico and USA. Stuart is the ex-Vice President and General Manager for Coeur D'Alene Mines and completed the successful development and commencement of operations at the large Palmarejo Silver and Gold Mine in Mexico. He was previously Technical Director for Coeur D'Alene Mines – Australia, Chile, Argentina and Mexico. Stuart also held the positions of Geology Manager and Project Development Coordinator for Cowal Gold Mine, Barrick Australia. Stuart has also held numerous senior geology and operations positions in Queensland, Western Australia, New South Wales and New Zealand.

- **Richard J Sheridan, Chief Financial Officer.** Mr Sheridan is a Fellow of the Australian Society of Certified Practising Accountants and holds a Masters Degree in Management from Macquarie Graduate School of Management. Mr Sheridan has 15 years experience in all facets of business and financial management and was until recently the Chief Financial Officer for a large private company in the construction services industry. Mr Sheridan has also held the position of Company Secretary and Financial Controller of a publicly listed transport company.
- **Will Beaurepaire - Senior Advisor, Investment & Strategy**. Mr Beaurepaire has over 15 years experience in financial services, corporate advisory and business management in Australia and Asia. He trained and worked at PricewaterhouseCoopers in Corporate Advisory and Turnaround, including establishing a firm wide wine industry advisory capability. Subsequently he established, ran and sold a consumer goods distribution business to an unlisted New Zealand company. He developed strong financial market experience at Goldman Sachs JBWere and Macquarie, including providing advice to the Australian government during the Global Financial Crisis. Mr Beaurepaire has a Bachelor of Commerce Degree, majoring in International Business and Finance, from University of New South Wales
- **Trangie Johnston, Chief Geologist BSc (Hons) (U.Newcastle), M Econ Geol (U.Tasmania).** Mr Johnston has more than 14 years experience in the mineral exploration and mining industry across a wide range of deposit types and tectonic settings from Australia, New Zealand, Saudi Arabia, southern Africa and central South America. Mr Johnston has developed a scale-independent approach to the analysis of structural geology facilitating in target generation and resource definition for a range of deposits types including porphyry, high/low sulphidation epithermal, IOCG, SEDEX, VHMS, orogenic gold (brittle to ductile systems), uranium and rare-element pegmatites.
- **Mick Hanlon, General Manager, Mineral Hill Mine.** Mr Hanlon holds the position of General Manager of Mineral Hill Mines with responsibility for commencing and then the on-going management of mining and processing operations. Mr Hanlon has over 35 years' experience in the mining industry with production management experience, with both mine operators and contractors, in iron ore, coal and base metals operations. Mr Hanlon has worked in WA, NSW and NT and prior to joining Kimberley Metals he held the position of Resident Manager of Tritton Mines at Nyngan NSW.
- **Ed Newman, General Manager – Projects.** Mr Newman has over 33 year's experience in the mining and exploration industry. He has held positions as chemist and manager of an analytical services laboratory as well as being involved in feasibility studies, design, construction and commissioning of several mining and processing operations in Australia and Papua New Guinea.

APPENDIX – Mineral Hill JORC Resources

Parkers Hill Sulphide

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc %	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Indicated	1,450	1.9	1.2	1.2	36	0.30	27.6	17.4	17.4	1,678,268	13,986
Inferred	50	1.6	1.1	2.4	48	0.20	0.8	0.6	1.2	77,162	322
Total	**1,500**	**1.9**	**1.2**	**1.2**	**36**	**0**	**28.4**	**18.0**	**18.6**	**1,755,429**	**14,307**

Parkers Hill Oxide

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Indicated	900	0.7	3.7	0.4	67	0.04	5.9	33.6	3.4	1,925,957	,157
Inferred	200	1.8	3.9	0.3	86	0.05	3.6	7.8	0.6	552,992	302
Total	**1,100**	**0.9**	**3.7**	**0.4**	**70**	**0.05**	**9.5**	**41.4**	**4.0**	**2,478,949**	**1,460**

Pearse

Category	Tonnes (thousands)	Grade		Contained metal	
		Silver g/t	Gold g/t	Silver (oz)	Gold (oz)
Indicated	226	84	6.7	611,430	48,769
Inferred	71	67	5.7	153,803	13,085
Total	**298**	**80**	**6.5**	**765,232**	**61,853**

ESOZ

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Indicated	101	1.5	0.1	0.2	7	3.7	1.5	0.1	0.2	22,731	12,015
Inferred	214	2.1	0.1	0.1	8	5.1	4.5	0.2	0.2	55,042	35,089
Total	**315**	**1.9**	**0.1**	**0.1**	**8**	**4.6**	**6.0**	**0.3**	**0.4**	**77,773**	**47,104**

SOZ (Au Zone) Cut-off grade 2.5g/t Au

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Measured	162	0.7	0.4	0.3	9	4.1	1.1	0.7	0.5	48,111	21,198
Indicated	74	0.8	0.9	1.0	18	3.9	0.6	0.7	0.7	43,705	9,231
Inferred	165	0.9	0.5	0.5	12	4.9	1.4	0.8	0.9	63,172	26,158
Total	**400**	**0.8**	**0.5**	**0.5**	**12**	**4.4**	**3.2**	**2.1**	**2.1**	**154,988**	**56,587**

SOZ (Cu / Au Zone) Cut-off grade 1.5% Cu Eq.* (Cu Eq = Cu % + (0.66x Au g/t)

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Measured	479	1.4	0.6	0.4	14	1.1	6.8	2.7	2.0	216,065	17,094
Indicated	233	1.0	0.4	0.4	10	1.4	2.2	1.0	0.9	72,789	10,355
Inferred	150	1.0	0.5	0.3	11	1.5	1.6	0.7	0.5	53,497	7,018
Total	**862**	**1.2**	**0.5**	**0.4**	**12**	**1.3**	**10.6**	**4.4**	**3.4**	**342,350**	**34,467**

SOZ (Pb / Zn Zone) Cut-off grade 4% Pb+Zn

Category	Tonnes (thousands)	Grade					Contained metal				
		Copper %	Lead %	Zinc	Silver g/t	Gold g/t	Copper (kt)	Lead (kt)	Zinc (kt)	Silver (oz)	Gold (oz)
Measured	90	0.7	3.1	2.4	29	0.4	0.7	2.8	2.2	82,916	1,103
Indicated	389	0.4	2.5	2.7	25	0.2	1.5	9.8	10.3	311,595	2,624
Inferred	220	0.3	2.4	3.1	21	0.3	0.7	5.2	6.8	148,472	1,767
Total	**699**	**0.4**	**2.6**	**2.8**	**24**	**0.2**	**2.9**	**17.8**	**19.3**	**542,982**	**5,494**
	5,173.7						**60.6**	**84.0**	**47.8**	**6,117,703.9**	**221,272.5**
							1.2%	**1.6%**	**0.9%**	**35**	**1.3**

Disclaimer

(a) Disclaimer

The information, reports, financial models, forecasts, strategies, audio broadcasts and other media (referred to as "Content" throughout this Legal Notice), provided on this web site has been prepared and issued by Altavista Research Pty Ltd trading as Independent Investment Research "IIR"(ABN 56144966165), as authorised to publish research under an Australian Financial Securities Licence (AFSL No 410381) which allows Independent Investment Research to offer financial service advice to retail and wholesale clients. Users of this web site should not act on any Content without first seeking professional advice. Whilst the Content contained on this web site has been prepared with all reasonable care from sources which we believe are reliable, no responsibility or liability is accepted by Independent Investment Research, for any errors or omissions or misstatements however caused. Any opinions, forecasts or recommendations reflect our judgement and assumptions at the date of publication or broadcast and may change without notice. Content on this web site is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. We are not aware that any user intends to rely on the Content provided or of the manner in which a user intends to use it. In preparing our Content it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual user.

Access by any user to this website does not create a client relationship between Independent Investment Research and the user. Users seeking to invest must obtain individual financial advice to determine whether recommendations are appropriate to their investment objectives, personal financial situation or particular needs, before acting on any recommendations. Any Content is not for public circulation or reproduction, whether in whole or in part and is not to be disclosed to any person other than the intended user, without the prior written consent of Independent Investment Research.

(b) Disclosure of Interest

General

Independent Investment Research, its officers, employees, consultants and its related bodies corporate have not and will not receive, whether directly or indirectly: any commission; fee; benefit; or advantage, whether pecuniary or otherwise, in connection with making any recommendation contained on this web site. Independent Investment Research, discloses that from time to time, it or its officers, employees and its related bodies corporate: may have an interest in the securities, directly or indirectly, which are the subject of these recommendations; may buy or sell securities in the companies mentioned in the Content; may effect transactions which may not be consistent with the recommendations in the Content; may have directorships in the companies mentioned in the Content; and/or perform paid services for the companies that are the subject of such recommendations.

However, under no circumstances, has Independent Investment Research been influenced, either directly or indirectly, in making any recommendations contained on this web site.

Corporate Research:

Independent Investment Research has or may have, received a fee either directly by a company itself or by a third party, to provide coverage and/or corporate research (the "Fee"). Where a Fee has been received, Independent Investment Research does not publish:

Buy / Hold / Sell recommendations for the security or managed investment schemes, or

a price target for the security or managed investment scheme.

Where a Fee is received, this is clearly stated in the Content, including any reports produced from the Content.

(c) Copyright Protection

All Content at this web site is protected by copyright. Apart from any use permitted under the Copyright Act (Cth) 1968, you must not copy, frame, modify, transmit or distribute the material at this web site, without seeking the prior written consent of the copyright owner. Content on this web site is owned by the business Independent Investment Research. Users are prohibited from copying, distributing, transmitting, displaying, publishing, selling, licensing, creating derivative works or using any content on the web site for commercial or public purposes

(d) Trade Marks

The trade marks and logos displayed on this web site belong to Independent Investment Research or other parties. Such trade marks include registered trade marks and trade marks pending registration. Users are prohibited from using any of these trade marks, without seeking the prior written consent of IIR or such third party, which may own the trade mark content on this web site.

(e) Limitation of Liability

To the fullest extent permitted by the law, Independent Investment Research and any of its officers, employees, agents, consultants or related bodies corporate disclaim any liability, whether based in contract, tort, strict liability or otherwise, for any direct, indirect, incidental, consequential or special damages arising out of or in any way connected with the use of any Content made available on this web site by any person or entity.

(f) No Warranties

Independent Investment Research does not make any claims, promises, guarantees, representations or warranties regarding the accuracy, completeness or fitness for purpose of the Content made available on this web site. All information on this web site is provided to you on an as is basis, without warranty of any kind either express or implied. To the extent that research can be provided by third parties, Independent Investment Research makes no warranty or representation as to the accuracy or completeness of such information displayed on this site, and accepts no liability for errors or omissions arising from such third party information. To the fullest extent permitted by law, under no circumstances will Independent Investment Research be liable for any loss or damage caused by users reliance upon information obtained through this web site. It is the responsibility of the user to evaluate the accuracy, completeness or usefulness of any information, opinion, general advice or other content made available through this web site. Furthermore, Independent Investment Research does not warrant or represent that this web site is error free or free from viruses or defects. A user must do all that is necessary (including using virus checking software) to satisfy itself that accessing this website will not adversely affect its system.

For further information, please contact IIR at: client.services@independentresearch.com.au

INDEPENDENT INVESTMENT RESEARCH

Independent Investment Research (Aust.) Pty Limited
PO Box H297 Australia Square
Sydney NSW 1215
Phone 61 2 8001 6693
ABN 11 152 172 079