

18 JANUARY 2012

AFSL: 247 404

Investment Data

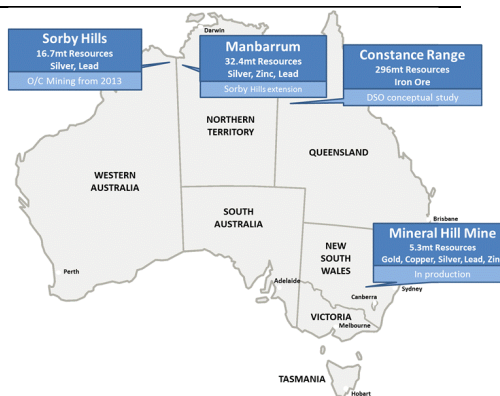
ASX Code	KBL
Market Sector	Precious & Base Metals
Price (18 Jan 12)	\$ 0.29
Shares on Issue*post placement	220.2 m
Market Cap.	c. \$ 70 m
Unlisted Options	2.4 m
12 month high	\$ 0.37
12 month low	\$ 0.19
Convert. Notes	28.95m
Convert. Notes	\$11.0m

GMR provides A\$90m in development capital to secure copper offtake and 25% of Mineral Hill operation to fund expansion

- Major development funding now in place through A\$80m acquisition
- Upfront cash will pay for about net 37% life of mine copper offtake
- GMR will also acquire 25% JV interest in Mineral Hill operations
- GMR to take 15% placement for another A\$10m at 25% premium (A\$0.325)
- Minerals Hill plant and mine to be developed further
- Sorby Hills silver-lead-zinc Project now funded
- Long term valuation target including A\$0.40 in cash is >A\$1.35/share

KBL has entered into an MOU with Guangdong Guanxin Mining Resource Group ('GMR') that has the capacity to bring certainty into the expansion and further development of the Mineral Hill operations through the sale of a 25% working interest JV with GMR. GMR will also gain security of supply through the proposed copper offtake arrangement at a net discount. Under the offtake arrangement, KBL will be paid in full for the precious metal credits in the concentrate. The capital will also be used to fund KBL's next development project at Sorby Hills.

KBL's Project Locations



Source: KBL

The A\$80m acquisition of a 25% JV Interest Mineral Hill ML338 (including the Pearse gold mine) together with the nearby Iron Duke exploration project values the operation at an est. A\$180m (adjusting for the price discount to LME copper values) or about A\$135m net to KBL (A\$0.60/share) and a 57% premium to the MPS valuation in the June 2011 note.

The funds will allow expansion of the mill to 400,000tpa and more exploration and development at the exciting SOZ, ESOZ and other Mineral Hill and Iron Duke targets.

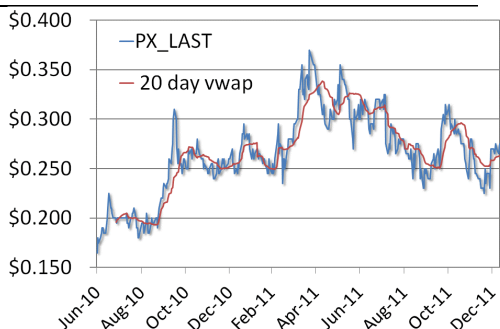
The funding will also allow further activity on the rapidly evolving Sorby Hills MVT silver-lead-zinc deposit project near Kununurra where recent drilling has upgraded the resource grade (from 10 to 76% in Indicated category) and showed continuity between ore pods that will indicate more resource tonnes. A startup date in early 2013 is being considered. MPS's Sorby Hills valuation in May 2011 was A\$105m (A\$0.47/sh) before recent upgrades and is maintained.

The deal shows the pattern of Chinese metals groups acquiring direct interests in projects that will provide long term security of supply. It also shows the potential at Mineral Hill that has been recognised for quite some years, yet lack of funds has prevented a proper assessment. Expect to see exploration stepped up at SOZ and ESOZ as well as at the other highly prospective targets where only initial but tantalizing drilling has been carried out.

Mineral Hill has crushing capacity of around 0.7mtpa compared to the proposed 0.4mtpa so a resource target of 7-10m tonnes against today's 5.2mt of copper-gold-zinc-lead-silver resource could allow future expansion of the back section of the mill.

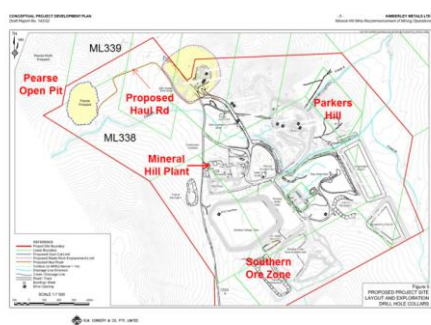
The deal will give KBL a long term MPS targeted value of A\$310m (A\$1.40/sh) once approved and more through the value added by exploration and development. **BUY.**

KBL Share Price (Jul10-Jan12)



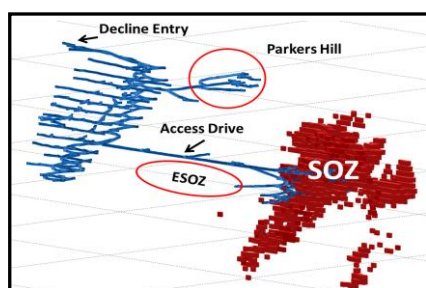
Source: IRESS

Mineral Hill Mine Plan



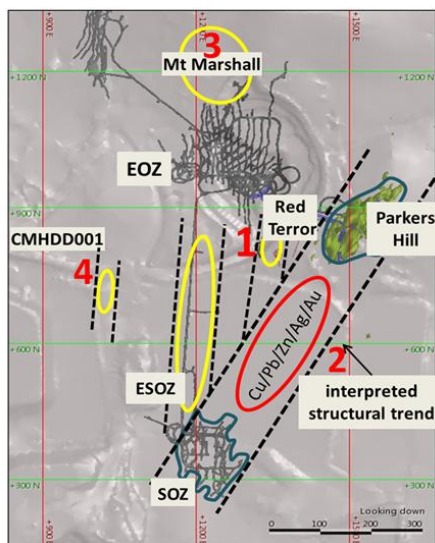
Source: KBL

New SOZ Resource showing proximity to pre-existing development



Source: KBL

Plan of Mineral Hill showing prioritised mineralisation targets



Source: KBL

KBL over the past year has provided shareholders with a very active programme in developing and financing its assets. At Mineral Hill the results are very positive:-

- the mine and mill have been reopened and expanded,
- metal content of resources has been increased (Cu up 94%),
- SOZ and ESOZ resources established and resource potential upgraded,
- new discoveries made,
- mill throughput raised to almost 300ktpa (16% above design capacity), and
- markets found for copper concentrates.

The benefit is apparent, as GMR has made an offer that values Mineral Hill and Iron Duke (EL6064 50km to the NE) at an estimated gross A\$180m so 75% would be A\$135m. KBL has also received a prepayment arrangement in return for KBL's 75% share of copper output priced at a 25% discount (equal to about 12% net after smelter terms) to received LME copper prices over the life of the project. On the basis of around 5,500tpa Cu and long term copper of US\$10,000/t MPS has estimated the prepayment of the 12% discount at a pretax NPV₈ over 10 years of around A\$35m.

Overall Mineral Hill current JORC Resources are 5.2 million tonnes and the increases in contained metal since July 2011 are Cu (+96%), Au (+190%) and Ag (+39%). These figures could give a Mineral Hill mine life of at least 10 years at the expanded production capacity of 400ktpa. Exploration would add to output and give longer life.

Summary of JORC-compliant Resource increase from June 2011						
Category	Tonnes	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
Previous 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%

Source: KBL

The new 1.96 million tonne Resource Estimate for SOZ includes a high grade gold component of 400,000 tonnes at 4.4 g/t Au and 0.8% Cu, a broader copper-gold resource and a separate lead-zinc resource.

SOZ is located close to existing underground drives allowing quicker access and mining at significantly lower cost and development time.

Expanded de-watering rates are expected to facilitate access to SOZ and ESOZ by late 2012, with mining operations expected to commence during early 2013.

Further Exploration Opportunities At & Around Mineral Hill

KBL management is confident that further value will be achieved with drilling of its high priority exploration targets over the next year at Mineral Hill (refer to Figure 2).

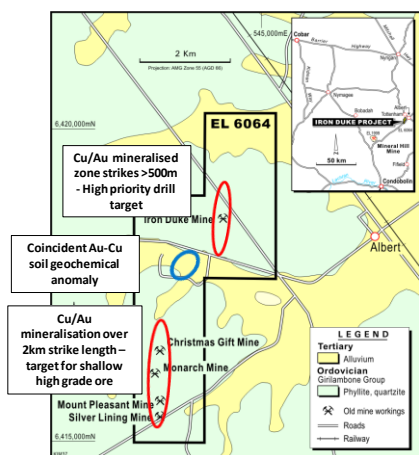
1. Red Terror

- Re-discovered high grade Cu/Au trend
- Accessible from existing development
- High priority drill targets:
 - UEOZ01: 7.6m @ 1.4% Cu & 8.8g/t Au
 - UEOZ03: 12.8m @ 4% Cu & 2.7g/t Au

2. Parkers Hill to SOZ

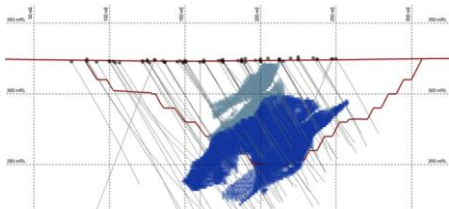
- Newly defined Cu-Au-Ag-Pb-Zn structural corridor
- Potential to discover Parkers Hill/SOZ styles
- Accessible from existing development
- 400m long target zone

Iron Duke Exploration Target



Source: KBL

Pearce Gold Project

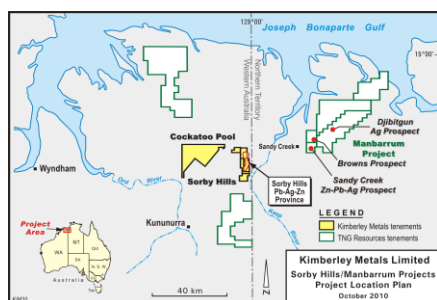


Pearce Open Cut - Gold/Silver

Commence	Mid 2012
Life of Mine	2.5 years
Mining Rate	120 ktpa
Grade Au	7 g/t
Grade Ag	72 g/t
Recovery Au	80%
Recovery Ag	50%
Gold Production	20,000 ozpa
Silver Production	165,000 ozpa

Source: KBL

Location of the Sorby Hills Project



Source: KBL

3. Mt Marshall

- Potential pit cut-back at Eastern Pit into oxide Cu/Au trend
- Drill targets defined

4. CMHDD001

- Single isolated drill hole
- Results: 5m @ 3.5g/t Au, 3.4% Cu
- Potential new SOZ-type Au/Cu ore zone

These Resources may be further upgraded and the current production profile could be materially extended. This would enable an expanded production profile beyond 400,000 tonnes of ore per annum for at least ten years. KBL should be able to increase the number of drilling rigs from one to 3 or 4.

Pearse Gold Mine

Recent metallurgical drilling has shown spectacular intersections of gold such as:-

Results from Drilling at Pearse Deposit			
Hole	Intersection	Grade Au g/t	Grade Ag g/t
KMHRC111	14m	25.5	56
KMHRC111	51m	9.8	72
KMHRC112	25m	8.8	109
KMHRC113	11m	8.8	160
KMHRC114	23m	6.0	102
KMHRC115	26m	6.4	74

The figures underline the high grade (average head grade 7g/t Au and 72g/t Ag) of this deposit.

The results are to be used for metallurgical test work.

All mining permits are now in place and mining should commence in June Half 2012.

Upside does exist through the Pearce North prospect and possible changes at Pearce itself to the gold resource content through slightly higher average grades and a reduction in the cutoff from 1g/t.

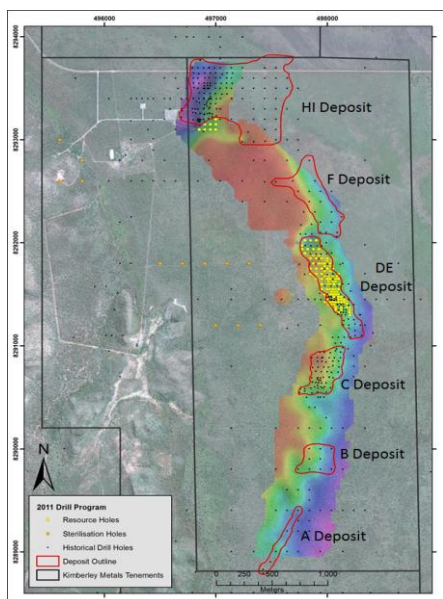
The metallurgical work on the proportion of gold and silver recoverable from the oxide and from the primary sulphide will provide a better indication of recoveries than the currently projected 80% for gold and 50% for silver.

Increase Size and Quality of Sorby Hills Project

KBL has also produced good results at Sorby Hills since listing:-

- Drilled almost 300 holes totalling >14,000m
- showed the near continuity of the D,E and F pods
- extended zones of mineralisation
- increased quality of resource to 76% Indicated
- probably increased ore grades

Sorby Hills Structure of Pod Deposits



Source: KBL

Drilling provided some excellent intersections including:-

- 11m @ 16.7% Pb and 154 g/t Ag from 15m (KSHRC077)
- 23m @ 7.6% Pb and 150 g/t Ag from 22m (KSHRC091)
- 8m @ 9.5% Pb and 194 g/t Ag from 27m (KSHRC093)
- 8m @ 10.0% Pb and 210 g/t Ag from 38m (KSHRC096)
- 8m @ 10.2% Pb and 126 g/t Ag from 34m (KSHRC097)

The results allowed KBL to announce a significant conversion of the estimated Resources at the D-E Deposit at Sorby Hills, increasing the quality of the 2.9mt Resource with 4.8% Pb, 0.5% Zn and 56g/t Ag by moving it from 10 to 76% Indicated.

The D-E Deposit would support a shallow high grade open pit mine with a particularly high grade zone earmarked for initial mining.

The almost-contiguous C Deposit has another 1.5mt at slightly lower grades that could give a Stage I mine life in excess of 10 years.

Summary of Sorby Hills JORC-compliant Resource D & E Pods (only)					
Category	Tonnes	Pb %	Zn %	Ag ppm	PB + Zn %
Indicated					
- Oxidised	140	3.3	0.2	22	3.5
- Fresh	540	3.4	0.5	18	3.9
Total Indicated	680	3.4	0.4	18	3.8
Inferred					
- Oxidised	80	3.1	0.3	19	3.4
- Fresh	750	3.2	0.4	23	3.6
Total Inferred	840	3.2	0.4	22	3.6
Total Indicated & Inferred	1,520	3.3	0.4	21	3.7

The project has made major advances over the past few months and application has been made to allow fast track mining by early 2013, a full year ahead of earlier projections. The regulatory response is due in this June Half.

Summary of Sorby Hills Global JORC-compliant Resource					
Category	Tonnes	Pb %	Zn %	Ag ppm	PB + Zn %
Indicated	4,674	4.4	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

The project is aiming for initial mine production in early 2013 at a rate of 0.5mtpa in Stage 1 to produce high quality concentrates containing 25,000tpa lead and 750koz Ag (worth a gross US\$75mpa at current prices) and 1.2mtpa in Stage 2 (revenue US\$200m) over a mine life of at least 10 years.

MPS holds its valuation for Sorby Hills at A\$104m or A\$0.47/sh.

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Disclosure

MPS and its associates declare that as of 18 January 2012, they may have a relevant interest in the securities recommended herein, in particular:

- Barry Dawes, Managing Director of MPS, holds shares in Kimberley Metals Limited. This position can change at any time.

MPS has been Broker to Kimberley for its recent capital raising and Broker to the Placement of the Shortfall of the Convertible Notes from the Company's recent Rights Issue. In its role as Broker MPS has earned fees on the total amount raised by MPS.