

**PRELIMINARY ASSESSMENT  
TECHNICAL REPORT  
MONTERDE GOLD-SILVER PROJECT,  
CHIHUAHUA STATE, MEXICO**

**FOR**

**KIMBER RESOURCES INC.**

**By: Robert T McKnight, P.Eng., MBA**  
*Consulting Engineer and Mineral Economist*

July 3 2003

# TABLE OF CONTENTS

1.0	SUMMARY .....	1
2.0	INTRODUCTION AND TERMS OF REFERENCE .....	2
3.0	DISCLAIMER.....	2
4.0	PROPERTY DESCRIPTION AND LOCATION .....	3
5.0	ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY .....	4
5.1	Land Availability .....	5
5.2	Power .....	5
5.3	Water.....	5
5.4	Labour .....	5
5.5	Site Conditions and Layout .....	5
6.0	HISTORY.....	6
7.0	GEOLOGICAL SETTING .....	6
8.0	DEPOSIT TYPES .....	6
9.0	MINERALIZATION .....	6
10.0	DRILLING .....	6
11.0	SAMPLING METHOD AND APPROACH .....	6
12.0	SAMPLE PREPARATION, ANALYSES AND SECURITY .....	8
13.0	DATA VERIFICATION.....	8
14.0	ADJACENT PROPERTIES .....	8
15.0	MINERAL PROCESSING AND METALLURGICAL TESTING .....	8
16.0	MINERAL RESOURCE AND MINERAL RESERVE ESTIMATE .....	8
17.0	OTHER RELEVANT DATA AND INFORMATION .....	9
18.0	INTERPRETATION AND CONCLUSIONS .....	11
19.0	RECOMMENDATIONS .....	11
20.0	REFERENCES .....	12
21.0	DATE .....	12
22.0	ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES .....	12
22.1	Potential Mineable Resources and Dilution .....	12
22.2	Mining.....	13
22.2.1	Target Production Rates.....	13
22.2.2	Operations .....	13
22.3	Leach Pads .....	14
22.4	Waste Dumps.....	14
22.5	Process Operations.....	14
22.5.1	Metal Recovery Circuit .....	16
22.6	Power Requirements and Electrical Supply .....	16
22.7	Process Water.....	16
22.8	Access Roads .....	16
23.0	MARKETS .....	16
24.0	CONTRACTS .....	16
25.0	ENVIRONMENT AND PERMITTING CONSIDERATIONS .....	18
26.0	TAXATION.....	18

27.0	CAPITAL AND OPERATING COST ESTIMATES .....	19
27.1	Initial Capital Cost .....	19
27.1.1	Comparative Project Capital Costs .....	19
27.1.2	Working Capital .....	20
27.1.3	Preproduction Period.....	21
27.2	Operating Costs .....	21
27.3	Other Costs .....	22
27.3.1	Sustaining Capital.....	22
27.3.2	Closure Costs .....	22
27.3.3	Salvage Value .....	22
27.4	Economic Analysis .....	22
27.4.1	Metal Prices .....	22
27.4.2	Exchange Rate .....	23
27.4.3	Inflation .....	23
27.4.4	Project Financing.....	23
27.4.5	Base Case Economic Summary.....	23
27.5	Project Economic Sensitivities .....	25
27.5.1	Changes in Revenue, Capital and Operating Costs .....	25
27.5.2	Sensitivity to Gold Prices.....	25
27.5.3	Sensitivity to Combined Gold and Silver Price Changes .....	26
27.5.4	Sensitivity to Increased Dilution .....	27
27.5.5	Sensitivity to Dilution and Resources .....	27
27.5.6	Base Case Cashflow Projection .....	28
28.0	ILLUSTRATIONS .....	30

## FIGURES

Figure 4-1.	Kimber Resources Ltd. Monterde Preliminary Assessment Project Location Map .....	4
Figure 11-1	Kimber Resources Ltd. Monterde Preliminary Assessment Geology and Mineralization ( <i>Source: Kimber Prospectus 2002</i> ).....	7
Figure 17-1	Kimber Resources Ltd. Monterde Preliminary Assessment Longitudinal Cross-section ( <i>Source: Burgoyne April 2003 Technical Report</i> ).....	10
Figure 22-1	Kimber Resources Ltd. Monterde Preliminary Assessment: Possible Valley- Fill Leach Pad Sites ( <i>Source: Golder Associates Inc, Conceptual Evaluation of a Valley Fill Facility for Kimber Resources' Monterde Project</i> ).....	15
Figure 24-1	Kimber Resources Ltd. Monterde Preliminary Assessment Conceptual Heap Leach Operation with Merrill Crowe Circuit ( <i>Source: Pincock Allen &amp; Holt Ocampo Scoping Study</i> ) .....	17
Figure 27-1	Kimber Resources Ltd. Monterde Preliminary Assessment Capital Costs for Selected Mexican Gold Projects vs. Daily Capacity.....	20
Figure 27-2	Kimber Resources Ltd. Monterde Preliminary Assessment Historic Gold and Silver Prices.....	23

Figure 27-3 Kimber Resources Ltd. Monterde Preliminary Assessment Sensitivity of IRR to Revenues and Costs .....	25
--	----

## TABLES

Table 16-1 Kimber Resources Ltd. Monterde Preliminary Assessment Measured, Indicated and Inferred Resources .....	9
Table 22-1 Kimber Resources Ltd. Monterde Preliminary Assessment Diluted "Mineable" Resources.....	13
Table 27-1 Kimber Resources Ltd. Monterde Preliminary Assessment Initial Capital Cost Estimate.....	19
Table 27-2 Kimber Resources Ltd. Monterde Preliminary Assessment Initial Working Capital Detail.....	21
Table 27-3 Kimber Resources Ltd. Monterde Preliminary Assessment Operating Cost Estimate .....	<b>Error! Bookmark not defined.</b>
Table 27-4 Kimber Resources Ltd. Monterde Preliminary Assessment Comparable Mexican Heap Leach Operating Costs.....	21
Table 27-5 Kimber Resources Ltd. Monterde Preliminary Assessment Operating Cost Estimate	22
Table 27-6 Kimber Resources Ltd. Monterde Preliminary Assessment Summary of Base Case Economic Results .....	23
Table 27-7 Kimber Resources Ltd. Monterde Preliminary Assessment Summary of Base Case Economic Results .....	24
Table 27-8 Kimber Resources Ltd. Monterde Preliminary Assessment Sensitivity of IRR and NPV to Gold Price .....	26
Table 27-9 Kimber Resources Ltd. Monterde Preliminary Assessment Sensitivity of After-tax IRR to Gold and Silver Prices .....	26
Table 27-10 Kimber Resources Ltd. Monterde Preliminary Assessment Sensitivity of IRR and NPV to Grade Dilution .....	27
Table 27-11 Kimber Resources Ltd. Monterde Preliminary Assessment Sensitivity of After-tax IRR to Grade Dilution and Mineable Resources .....	28
Table 27-12 Kimber Resources Ltd. Monterde Preliminary Assessment Base Case Cashflow Projection.....	29

## PRELIMINARY ASSESSMENT TECHNICAL REPORT MONTERDE GOLD-SILVER PROJECT CHIHUAHUA STATE, MEXICO

### 1.0 SUMMARY

The Monterde Gold-Silver Project (“the Project” or “the Property”) is located in Chihuahua State Mexico in a hilly area of the Sierra Madre Occidental mountains, southwest of the town of Creel. The Project is at the development stage and is currently undergoing a drilling program designed to test new zones and add to existing resources. The Project site has good access and is reasonably close to towns and infrastructure.

The Monterde Project Measured, Indicated and Inferred resources were published on March 23, 2003. The estimates were calculated by Kimber Qualified Persons and verified by A.A. Burgoyne, P.Eng in his Technical Report dated April 2003. The resource estimates were derived using a manual cross-sectional method. The resource estimate is summarized in the table below. This estimate was one of two estimates by Burgoyne and utilizes a gold grade cut-off of 0.5g/tonne without utilizing silver grades in cut-off calculations, producing higher overall grades.

<b>Blocks 0.5 g/t cutoff</b>	<b>Tonnes</b>	<b>Gold Grade g/t</b>	<b>Silver Grade g/t</b>	<b>In-situ Gold ozs</b>	<b>Insitu Silver ozs</b>	<b>Silver Au-equiv ozs*</b>	<b>Total Au-equiv ozs*</b>
Measured and Indicated	2,662,130	2.05	119	175,883	10,174,054	103,306	279,189
Inferred	3,400,165	3.15	125	344,171	13,660,915	138,711	482,882
<b>Total</b>	<b>6,062,295</b>	<b>2.67</b>	<b>122</b>	<b>520,054</b>	<b>23,834,969</b>	<b>224,730</b>	<b>744,784</b>

*\* recovery weighted, based on gold \$325 and \$4.50/oz silver with 75% gold recovery and 55% silver recovery*

Since there has been no Feasibility Study on Monterde, there are no mineral reserves established for the Property under CIM reserve reporting standards.

For scoping purposes, a 3,500 tonne per day open pit heap leach mining operation was assumed with an initial capital cost of \$26 million, and operating costs of \$10.30 per tonne of ore processed, or \$127 per equivalent ounce of gold. These cost estimates were developed based on the costs of similar operations. Base Case diluted “mineable” tonnage is calculated to be 5.8 million tonnes grading 2.26 g/t gold and 107.6 g/t silver. Without detailed mining plans, there can be no assurance that the assumptions regarding mineable resources used in this Preliminary Assessment will be accurate. Development of resource block models and future pit optimization studies will determine mineable tonnage and grades more accurately.

Under the Base Case assumptions, the Monterde Project, at its current early stage of development, demonstrates robust potential economics. On a per equivalent ounce basis,

cash operating costs average \$127/oz, and total costs, including initial capital, are \$183 per ounce. At a gold price of \$340 per ounce and silver price of \$4.50 per ounce, after-tax Internal Rate of Return (IRR) is 34.8% and Net Present Value after tax using a discount rate of 8% is C\$31.4 million. Payback period is 2.3 years from the commencement of production.

The Monterde Project has potential economical viability even at gold prices much lower than \$300 per ounce. At a gold price of \$300 per ounce and a silver price of \$4.00, the Project has an after tax IRR of 26.9%; while at a gold price of \$270 per ounce (silver \$4.00/oz), the after tax project IRR is 22.3%.

## 2.0 INTRODUCTION AND TERMS OF REFERENCE

Robert T. McKnight P.Eng. was engaged in May 2003 by Kimber Resources Ltd. ("Kimber") to prepare an Internal Scoping Report for management on their Monterde Gold Silver Project in Mexico. Subsequently, in June 2003, Kimber requested that the Internal Scoping Report be enhanced to the level of Preliminary Assessment report for regulatory reporting purposes. This Preliminary Assessment Report is intended to assess the future development potential of the Monterde Project by combining the current preliminary estimated technical and cost information into a project economic model to evaluate the potential economics of a possible project development. The Report is preliminary in nature, and it includes inferred mineral resources. Inferred Resources are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Measured or Indicated Resources or as Mineral Reserves.

Reference is made to previous independent Technical Reports on the Monterde project filed on SEDAR ([www.sedar.com](http://www.sedar.com)) on June 3, 2002 and a second Technical Report on April 24, 2003 that establishes a mineral resource estimate for the Monterde Project. Both reports were authored by A.A. Burgoyne, P.Eng., an independent Qualified Person under National Instrument 43-101 (NI-43-101).

## 3.0 DISCLAIMER

This Preliminary Assessment is preliminary in nature and is subject to revision as more detailed technical information becomes available. This report conforms to generally accepted practices for scoping-level conceptual studies with accuracies in the range of +/- 35%. The terms "Preliminary Assessment" and "Scoping Study" are used interchangeably herein.

The reader should note that this Scoping Study contains economic projections that include Measured and Indicated resources but also Inferred Resources. According to the Canadian Institute of Mining and Metallurgy (CIM) standards, inferred resources are: "...***that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not***

**verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes”.**

Due to the greater uncertainty associated with the Inferred resource category, it cannot be assumed that all or any part of this resource will be upgraded to a higher resource category such as Indicated or Measured as a result of continued exploration. Moreover, the projections herein make assumptions regarding the mineable portion of the stated resources and the diluted mineable grade of the material mined and processed, that may prove to be lower or higher than may be determined by the results of a more detailed Feasibility Study or other mining studies.

The reader should further note that Scoping Studies (such as this report) are less reliable than Feasibility Studies, and are intended to provide company management with guidance as to whether further exploration is warranted and/or to assess alternate methods of project development.

The author of this report has not personally visited the Property and is relying on the inspections of A.A. Burgoyne, an independent Qualified Person who has visited the property.

All costs herein are in United States dollars except where indicated.

Due to risk factors including, but not limited to, metal prices, permitting, metallurgical recoveries, mineral resources, and capital and operating costs, there can be no certainty that any of the assumptions contained in this Preliminary Assessment will be realized or that the economic results projected herein will be achieved.

#### **4.0 PROPERTY DESCRIPTION AND LOCATION**

The Monterde Project is located in Chihuahua State Mexico in a hilly area of the Sierra Madre Occidental mountains, southwest of the town of Creel. The Project is at the development stage and is currently undergoing a drilling program designed to test new zones and add to existing resources. The project site has good access and is reasonably close to towns and infrastructure.

For further detailed information on property title and ownership, reference is made to the Technical Evaluation Report on the Monterde property by A. A. Burgoyne, P.Eng. dated January 22, 2002.

**Figure 4-1. Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Project Location Map**



## 5.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The project is accessible via paved road from Chihuahua, west and south to Creel, a regional centre for the Copper Canyon tourist areas (i.e. generally between Creel and San Rafael). From Creel, the route continues as a paved road southwest to San Rafael then as gravel where the road to Monterde turns northwest. The project is approximately 35 kilometres from San Rafael. Road access to the project area is considered good with only limited upgrading required in the final sections, especially to hair-pin corners.

The Chihuahua al Pacifico Railway was completed in 1962 and links Los Mochis on the coast with Chihuahua. The line, which was previously a government-owned operation, is now operated by *Ferrocarril Mexicano*, a private rail operator in Mexico. Rail car capacity is stated to be 120 tonnes between Los Mochis and Creel, slightly higher between Creel and Chihuahua. This line runs within 30 kilometers of the project. Rail is an option for shipping larger equipment items to the project.

## 5.1 Land Availability

The Mexican *ejido* system is a structure wherein rural communities (the *ejido*) collectively own agricultural lands, which have been acquired from the federal government for the purposes of agricultural development and/or ranching. An *ejido* has the right to lease, and, in some cases, sell the property under its control. No delegates (or *ejidatarios*) are elected and entry is restricted.

## 5.2 Power

*Comisión Federal de Electricidad* (CFE) is the state owned electricity supplier in Mexico. There is a major high voltage (believed to be 115 kV) east-west power line located approximately 30 kilometres south of the project site. As part of a rural electrification program, this line was constructed in 2000 to service the growing communities along the railway. Confirmation of line voltage, capacity and substations will be developed as part of a feasibility study. This study assumes that power is capable of being provided by a subsidiary from this major trunk line. An existing grid substation is located at Divisadero approximately 30 kilometers to the southeast. (source: *Glamis El Sauzal report*)

## 5.3 Water

In Mexico, water rights are managed by the *Comisión Nacional del Agua* (CNA). According to legislation, all users, whether individuals or companies, must pay for the right to use national waters regardless of how the rights were obtained, with the rates being determined by the availability of water and the method of extraction. The project is located in an area of abundant local water sources. Supplies of process, fire suppression and potable water will likely be secured from groundwater or possibly stream impoundments. This study assumes no major impediments to obtaining adequate water supplies at reasonable cost.

## 5.4 Labour

It is anticipated that local labour will be employed as much as possible after suitable training. There is a sufficient supply of labour obtainable from larger communities such as San Rafael and Creel, the regional supply center. While there is no local history of recent open pit mining, the area is known for its previous underground mining.

Total employment at an open pit project of this scale will be around 110 people with 70% of those involved in the mining and balance in the process plant and salaried positions.

## 5.5 Site Conditions and Layout

This Scoping Study assumes no adverse site conditions that would negatively affect a project development on the scale contemplated.

## **6.0 HISTORY**

The Monterde property has seen historic small-scale mine underground production during the period 1937 to 1944. Historic gold and silver grades were 19.29 g/tonne and 311.5 g/tonnes respectively. Exploration was sporadic in the period between 1994 and 1999 with a number of operators until Kimber optioned the property in early 2000 and commenced a drilling program late that year. (Burgoyne 2002 and 2003)

## **7.0 GEOLOGICAL SETTING**

The Monterde Mining District is underlain by volcanic complex of rocks consisting of intermediate tuffaceous rocks and altered intrusives. Mineralization is controlled by regional and local scale faulting. (Burgoyne 2002 and 2003)

## **8.0 DEPOSIT TYPES**

The Monterde deposits are classified as low-sulphidation epithermal. For further information on the deposit types, reference is made to the Technical Evaluation Reports on the Monterde property by A. A. Burgoyne, P.Eng. dated January 22, 2002 and April 2003.

## **9.0 MINERALIZATION**

The alteration styles of the Monterde area characterize it as a low-sulphidation system consisting of an early lead-zinc mineralizing event overprinted by a later gold-silver mineralizing event. No visible gold is seen. The gold is believed to be found as micron-sized particles. (Burgoyne 2002 and 2003).

## **10.0 DRILLING**

Since December 1998 to December 2002, 45 drill holes totaling 5,712 meters of drilling has been completed. For further information on the property drilling, reference is made to the Technical Evaluation Reports on the Monterde property by A. A. Burgoyne, P.Eng. dated January 22, 2002 and April 2003.

## **11.0 SAMPLING METHOD AND APPROACH**

Sampling on the Property has included underground and surface chip sampling, trenching and reverse circulation drilling. Sample duplicates, blanks and reference samples were employed to ensure assaying quality control. (Burgoyne, 2002 and 2003).



## **12.0 SAMPLE PREPARATION, ANALYSES AND SECURITY**

For information on the sample preparation, analyses and security, reference is made to the Technical Evaluation Reports on the Monterde property by A. A. Burgoyne, P.Eng. dated January 22, 2002 and April 2003.

## **13.0 DATA VERIFICATION**

For information on data verification, reference is made to the Technical Evaluation Reports on the Monterde property by A. A. Burgoyne, P.Eng. dated January 22, 2002 and April 2003.

## **14.0 ADJACENT PROPERTIES**

There are a number of other gold-silver properties located in the Sierra Madre gold-silver belt. The closest to Monterde is the Urachic property located 33 kilometers north-northwest of Monterde. Other more distant known deposits include the Ocampo, Dolores, Mulatos, Magistral and El Sauzal properties. (Burgoyne 2002 and 2003)

## **15.0 MINERAL PROCESSING AND METALLURGICAL TESTING**

The limited metallurgical test work to date has indicated that the ores may be amenable to heap leach recovery. This test work has yielded a wide range of potential gold and silver recoveries. The metallurgical recovery from the historic Monterde mine ores, by cyanide vat leaching, ranged from 85-90% gold and 65-70% silver.

Historically the Monterde mine recovery, from cyanide vat leaching, ranged from 85 to 90% gold and 65 to 70% silver. For scoping purposes based on preliminary metallurgical testwork, metal recoveries of 80% for gold and 50% for silver were used.

Milling of the high grade portion of the ores may improve metals recoveries and this alternative will be explored in future studies. This is a common alternative in heap leach operations with high-grade ore pockets. Additional metallurgical studies will be required to confirm amenability to cyanide leaching, leaching characteristics, reagent consumption and other factors such as the optimum crush size.

For further details of on previous deposit metallurgical testing and results, the reader should refer to the A.A. Burgoyne's Report dated April 3 2003 entitled *Technical Evaluation Report Mineral Resource Estimate I for Kimber Resources Inc. on the Monterde Project*.

## **16.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATE**

The Monterde Project Measured, Indicated and Inferred resources were published on March 23, 2003. The estimates were calculated by Kimber Qualified Persons and verified by A.A. Burgoyne, P.Eng in his Technical Report dated April 2003. The

resource estimates were derived using a manual cross-sectional method. This resource estimate is presented in the table below.

**Table 16-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Measured, Indicated and Inferred Resources**

<b>Blocks 0.5 g/t cutoff</b>	<b>Tonnes</b>	<b>Gold Grade g/t</b>	<b>Silver Grade g/t</b>	<b>In-situ Gold ozs</b>	<b>Insitu Silver ozs</b>	<b>Silver Au-equiv ozs*</b>	<b>Total Au-equiv ozs*</b>
<b>Measured and Indicated</b>	2,662,130	2.05	119	175,883	10,174,054	103,306	279,189
<b>Inferred</b>	3,400,165	3.15	125	344,171	13,660,915	138,711	482,882
<b>Total</b>	6,062,295	2.67	122	520,054	23,834,969	224,730	744,784

*\* recovery weighted, based on gold \$325 and \$4.50/oz silver with 75% gold recovery and 55% silver recovery*

This estimate was one of two estimates by Burgoyne and utilizes a gold grade cut-off of 0.5 g/tonne without utilizing silver grades in cut-off calculations, producing higher overall grades.

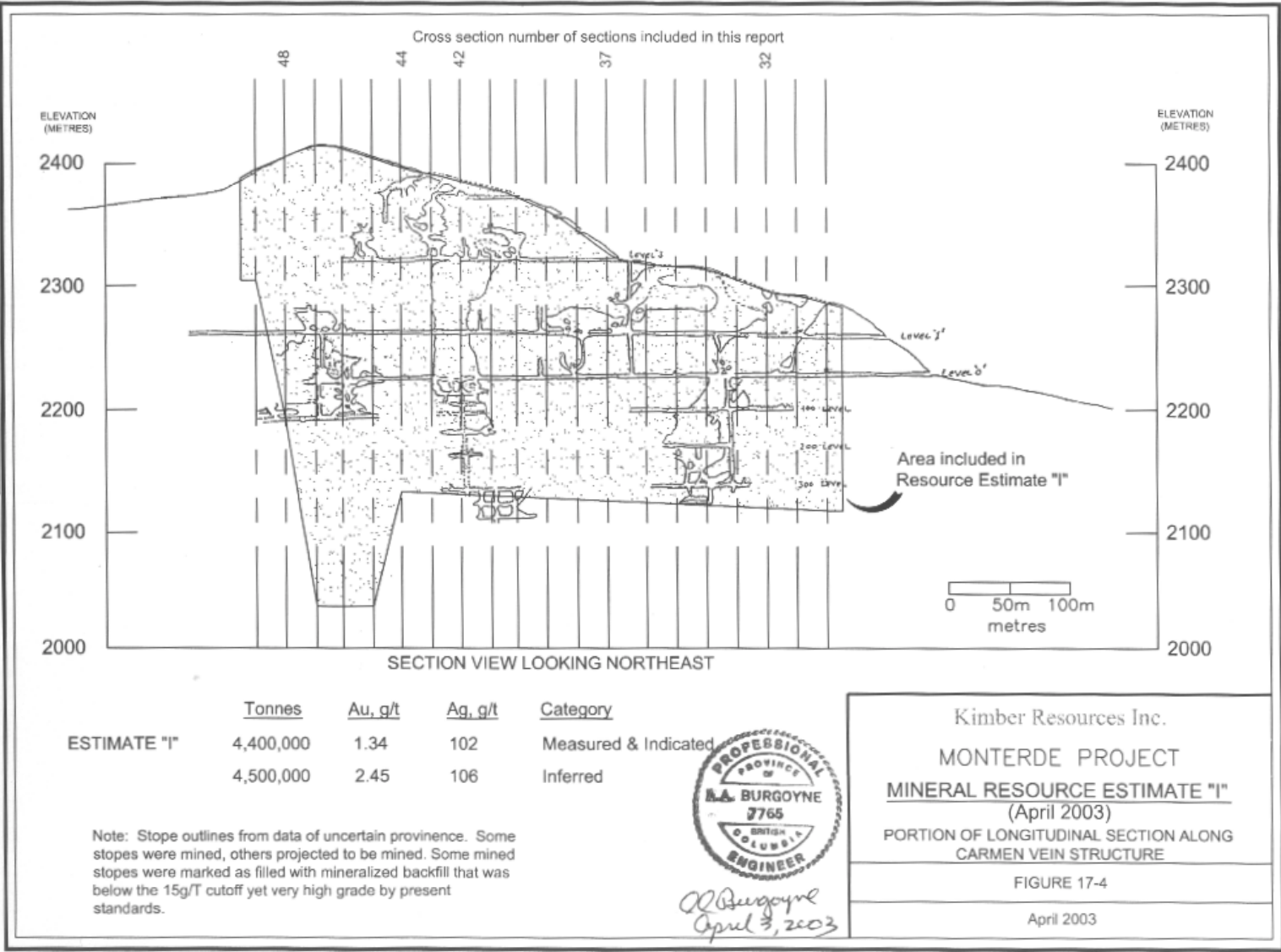
Since there has been no Feasibility Study undertaken, under CIM reserve reporting guidelines there can be no Mineral Reserves established on the Property.

(For further details of on mineral resource calculations, see Burgoyne 2002 and 2003)

## **17.0 OTHER RELEVANT DATA AND INFORMATION**

For additional information and data, the reader should consult the references contained in Burgoyne's technical reports.

**Figure 17-1 Kimber Resources Ltd.  
 Monterde Preliminary Assessment  
 Longitudinal Cross-section (Source: Burgoyne April 2003 Technical Report)**



## **18.0 INTERPRETATION AND CONCLUSIONS**

Based on the results of preliminary project economics contained in later sections, the following conclusions can be reached:

- Under the Base Case assumptions, the Monterde Project, at its current stage of development, demonstrates robust economics. On a per equivalent ounce basis, operating costs average \$127/oz, and total costs, including capital, are \$183 per ounce. After-tax Internal Rate of Return (IRR) is 34.8% and Net Present Value after tax using a discount rate of 8% is C\$31.4 million. Payback period is 2.3 years from the commencement of production.
- Under Base Case assumptions, the Monterde Project has potential economical viability even at gold prices much lower than \$300 per ounce. At a gold price of \$300 per ounce and a silver price of \$4.00, the Project has an after tax IRR of 26.9% while at a gold price of \$270 per ounce (silver \$4.00/oz), the after tax project IRR is 22.3%.
- The Project has geological resources that are of comparatively high grade for a heap leach project, however the imposition of a pit outline onto this resource may reduce tonnage of the geological resource that is mineable. Additionally the grade of this mineable material may be reduced due to dilution of the resource. The Project is particularly sensitive to reductions in mineable grade.
- The ultimate economics of an actual project development of the Monterde deposit are relatively uncertain due to the early stage of development and lack of detailed engineering and cost studies.

## **19.0 RECOMMENDATIONS**

Recommendations for further work include:

- Continued drilling to upgrade the Inferred Resources to a higher Indicated or Measured category and, if possible, to add additional resource tonnages in the main deposit, the Carmen deposit and in satellite deposits;
- Commission further detailed metallurgical investigations in order to establish the optimum crush, to determine the leaching characteristics of the Monterde mineralized material, and to provide better metallurgical recovery estimates;
- Once additional drill hole data has been received, re-estimate the mineral resources and commission preliminary mining studies to determine a mineable resource estimate, strip ratio and mining schedule;
- Commence site investigations, including preliminary geotechnical and environmental studies, and potential plant sites;
- Investigate further leach pad siting alternatives

## 20.0 REFERENCES

Burgoyne A.A., April 2003. *Technical Evaluation Report Mineral Resource Estimate I for Kimber Resources Inc. on the Monterde Project.*

Burgoyne A.A., January 2002. *Technical Evaluation Report for Kimber Resources Inc. on the Monterde Project.*

Glamis Gold Ltd., 2002. El Sauzal Project Technical Report

Golder Associates Inc, 2003, Private Technical Memorandum: *Conceptual Evaluation of a Valley Fill Facility for Kimber Resources' Monterde Project in Chihuahua Mexico.* Internal Company Report

Kappes, Cassiday & Associates, 2000. *Magistral Project Feasibility Study*

Kimber Resources Ltd., *Various SEDAR filings including the 2002 Prospectus and Annual Information Form*

Pincock, Allen & Holt, 2002. *Ocampo Gold-Silver Project Preliminary Assessment Chihuahua, Mexico, Technical Report*

Pincock, Allen & Holt, Sept. 2002. Preliminary Assessment and Scoping Study for the Estrella Development Alternative for the Mulatos Deposit

Minefinders Corporation Ltd. 1998. *Press Release on Results of the Dolores Project Scoping Study by MRDI Canada.*

Steffen, Robertson and Kirsten Canada Inc., 2002. *Independent Review of the Zenda Project, California, USA*

## 21.0 DATE

The effective date of this Scoping Study report is July 3, 2003.

## 22.0 ADDITIONAL REQUIREMENTS FOR TECHNICAL REPORTS ON DEVELOPMENT PROPERTIES AND PRODUCTION PROPERTIES

### 22.1 Potential Mineable Resources and Dilution

A mineable resource estimate has not yet been determined. Mineable resources are that portion of the in-situ geological resources that are economically extractable in accordance with a mining plan. No pit outlines or mine plans have been established. For preliminary assessment purposes, it was assumed that 80% of the geologic resources can be extracted as "mineable" resources and that the "mineable" resources will also include 20% dilution with lower grade material. Based on an analysis of the distribution of mineral grades in the probable mineable areas, the grade of the diluting material was estimated at 0.22 g/t gold and 34 g/tonne. This was derived from the

average grade of mineralized material that is greater than 0.1 g/t Au-equiv and less than 0.5 g/t Au-equivalent.

Dilution has the effect of increasing the tonnage processed and reducing the overall average grade of processed material. For scoping purposes, Base Case diluted “mineable” tonnage is therefore calculated to be 5.8 million tonnes grading 2.26 g/t gold and 107.6 g/t silver. Without detailed mining plans, there can be no assurance that the assumptions regarding mineable resources used in this Preliminary Assessment will be accurate. Development of resource block models and pit optimization studies will determine mineable tonnage and grades more accurately.

**Table 22-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Diluted “Mineable” Resources**

	<b>K Tonnes</b>	<b>Au g/t</b>	<b>Ag g/t</b>
Geologic Resource (per Burgoyne)	6,062	2.67	122.3
Mineable Portion (80% assumed)	4,850	2.67	122.3
Dilution Material and grade (20%)	970	0.22	34.0
Diluted “Mineable” Resource	5,820	2.26	107.6

## **22.2 Mining**

### **22.2.1 Target Production Rates**

The Scoping Study considers a process facility capable of treating 3,000 to 4,000 tonnes per day of ore. A target ore processing rate of 3,500 tonnes per day was used and 300 operating days per year (1.05 million tonnes per year) for scheduling purposes. An overall strip ratio of 4 to one was assumed based on the known deposit geometry and a probable pit outline.

The current geologic resource estimate is approximately 6 million tonnes in all categories (measured indicated and inferred). Provisions were made on the Scoping Study model to evaluate the effects of imposing a pit outline on the geologic resource and grade dilution.

Under Base Case Assumptions, mine life is approximately 5.5 years with annual equivalent gold production of approximately 85,000 ounces. With an assumed strip ratio of 4 to one, mining operations will be sized to move approximately an average 17,500 tonnes per day of material. Waste and ore tonnages were scheduled using the average strip ratio.

### **22.2.2 Operations**

The mine will be operated with standard open pit mining techniques and readily available equipment in the range of haul trucks with a payload capacity of roughly 50 tonnes,

rubber tired front-end loaders or hydraulic excavators with a bucket capacity of 6 cubic meters, and percussion blast hole drills capable of drilling a 15 centimeter blast hole at least 6 meters deep. Support equipment would likely include dozers, graders, explosive trucks and water trucks.

The mining operation will average a total material (waste and ore) movement of about 5 million tonnes annually (17,500 tonnes per day) based on 300 operating days. A provision for pre-production stripping of 0.5 million tonnes has been included. Mining is assumed using an owner-operated fleet with contract mining as an alternative. This alternative yields lower capital costs but higher operating costs.

### **22.3 Leach Pads**

Due to the hilly terrain and lack of level ground for conventional leach pad construction, it is anticipated that a “valley-fill” type leach pad will be required. Kimber commissioned Golder Associates to conduct a conceptual study of a valley-fill heap leach facility to accommodate 8 million tonnes of ore. Golder identified a number of possible sites and developed conceptual costing for one such site (Site A). According to Golder, considerably more information is required to determine the siting options and costs for such a leach pad design. The costs of developing Site A capable of containing 8 million tonnes of material was estimated by Golder to be \$4.2 million.

Valley-fill leach pads are engineered with high density polyethylene (HDPE) liners combined with compacted soil, occupying valleys or gullies with the leachate systems collecting the pregnant, metal bearing at the toe of the leach pad.

### **22.4 Waste Dumps**

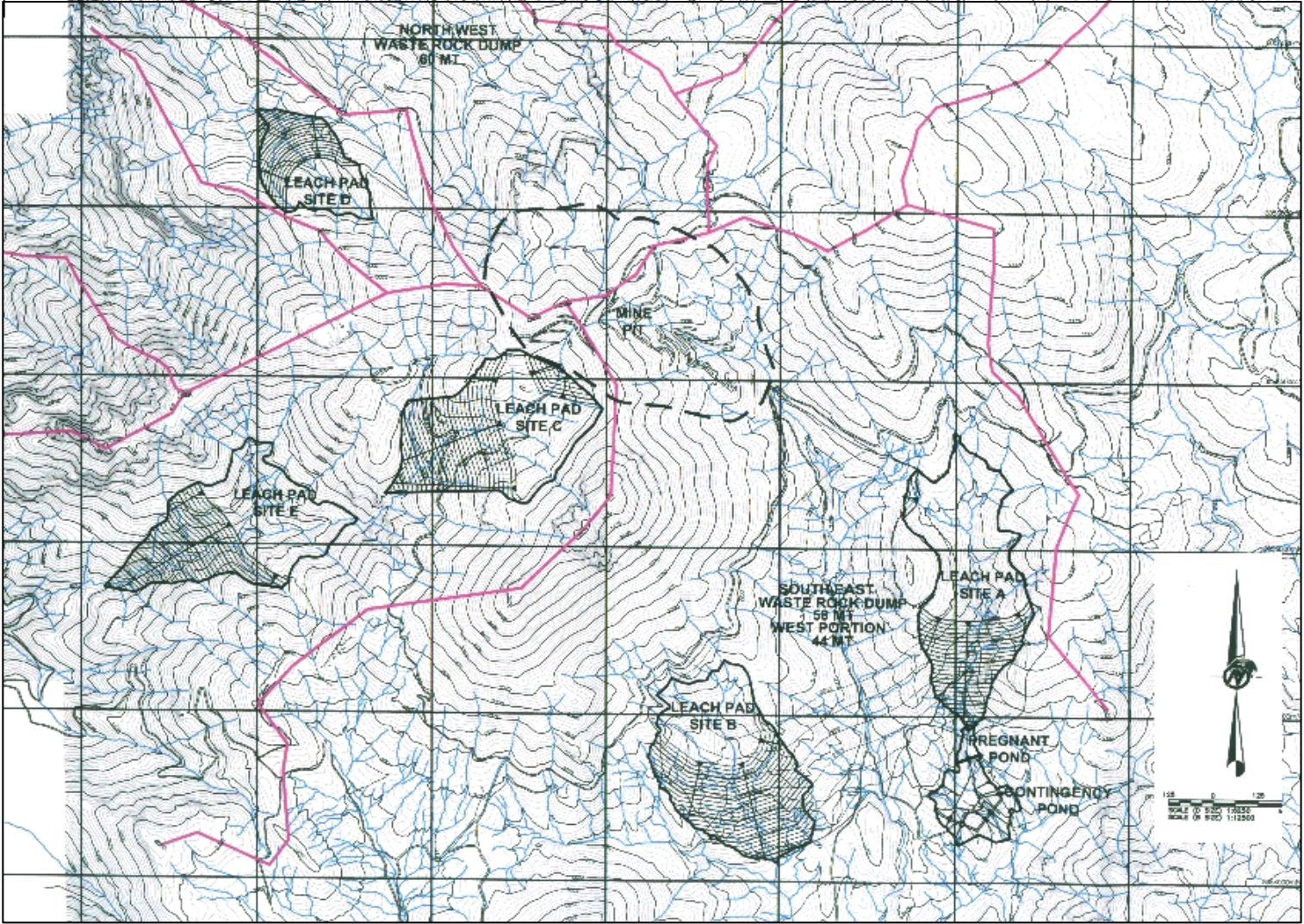
Static and dynamic acid rock drainage (ARD) testing will be done on all of the rock types at the Project to establish the acid generating potential of the waste dumps. The design of the dumps will take into account this ARD potential.

### **22.5 Process Operations**

A preliminary review of the project suggests a conventional heap leach operation designed to process up to 3,500 tonnes per day of ore with a Merrill-Crowe plant treating the resultant leachate. Processing operations will consist of crushing ore and stacking this ore on leach pads then applying weak cyanide solutions. The amount of required crushing will be determined by additional process testwork. Depending on further metallurgical testing, the ore may also be agglomerated in a rotating drum with the addition of lime or cement before placing on the leach pads. This additional testwork may also indicate the desirability of milling the ore.

Ore that is ready for stacking will be transported to the leach pads and stacked on a liner system, most likely by moveable, “grasshopper” type conveyors.

**Figure 22-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment: Possible Valley- Fill Leach Pad Sites**  
(Source: Golder Associates Inc, Conceptual Evaluation of a Valley Fill Facility for Kimber Resources' Monterde Project)



### **22.5.1 Metal Recovery Circuit**

Leach solution containing cyanide will be applied to the heap using sprinklers and drip emitters. Pregnant metal-bearing leach solutions from the heaps will be collected in ponds, and pumped to the metal recovery plant. Because of the high silver content, a Merrill-Crowe recovery circuit will most likely be employed for metal recovery. The Merrill-Crowe gold recovery system removes precious metals from a cyanide solution by zinc precipitation. The resulting silver-gold doré bars will be shipped to a precious metals refinery.

### **22.6 Power Requirements and Electrical Supply**

Electric power for the project most likely be supplied by a CFE subsidiary line and substation from a main trunk line located approximately 30 kilometres southeast of the project at Divisidero (*Source: Glamis' El Sauzal feasibility study*). The Project power requirement is estimated to range between 1.0 and 1.5 megawatts. On-site diesel generation is the alternative to line-supplied power.

### **22.7 Process Water**

The main source of water for mine and process operations will be ground water and/or local surface water sources. Surface water could be collected from diversion structures, and pumped to tanks for distribution for specific uses. Storage reservoirs will be developed to allow for sufficient storage to make up potential shortfalls during dry periods. A backup source could be developed in the form of a well or wells.

### **22.8 Access Roads**

Road access is considered good but some improvements to the road access from San Rafael in the south can be anticipated, along with local roads in the vicinity of the mine-site.

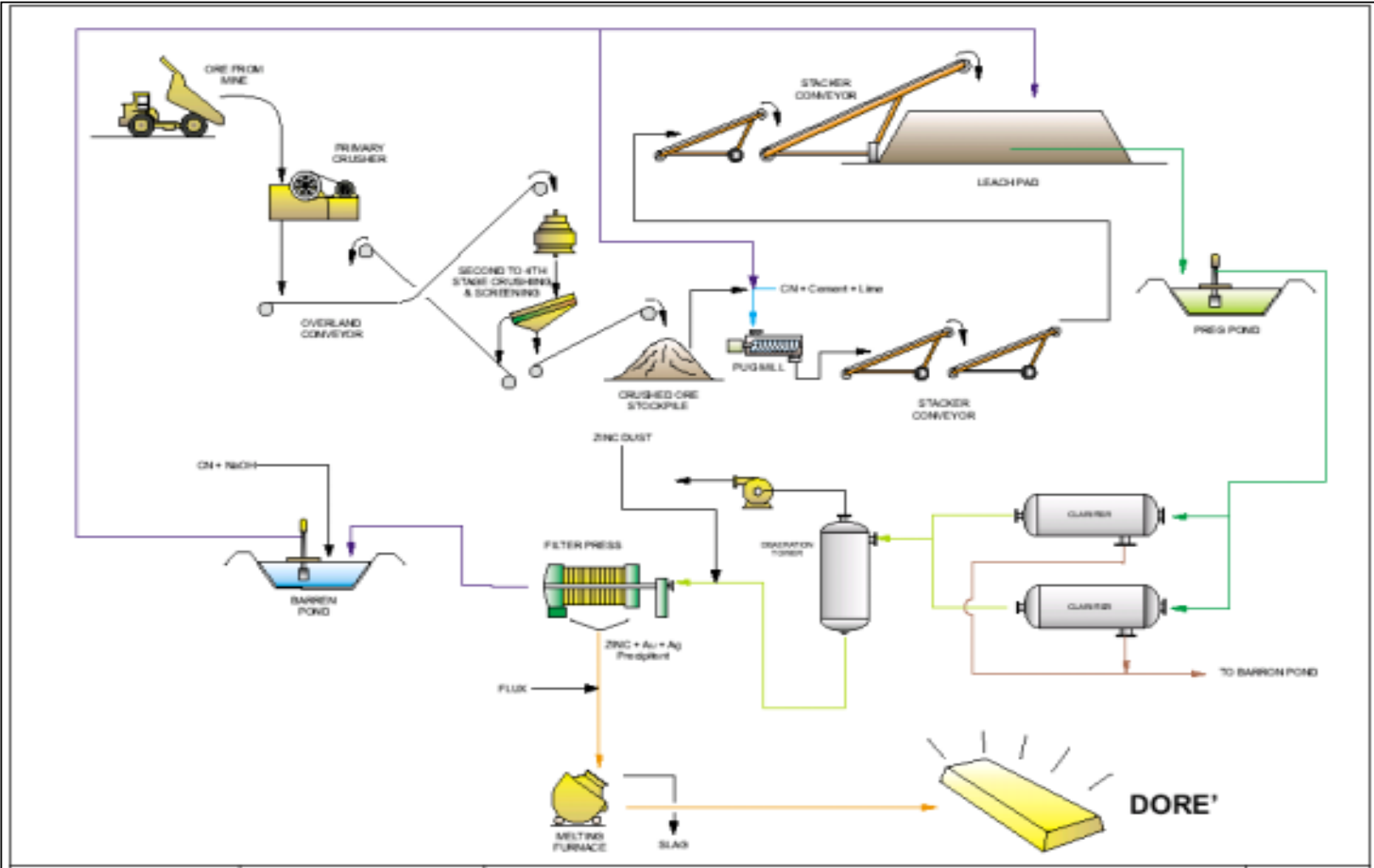
## **23.0 MARKETS**

Gold and silver are internationally-traded commodities with well-established, liquid markets. These metals are easily sold in the form of gold-silver doré bars to metal refiners for their contained precious metal content. A small refining charge is normally levied. A combined shipping and refining charge of \$0.40 per ounce of doré (gold and silver) was assumed.

## **24.0 CONTRACTS**

This Scoping Study does not consider contract mining or mineral sales contracts.

Figure 24-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Conceptual Heap Leach Operation with Merrill Crowe Circuit  
(Source: Pincock Allen & Holt Ocampo Scoping Study)



## **25.0 ENVIRONMENT AND PERMITTING CONSIDERATIONS**

A number of permits are required to construct and operate a mine in Mexico. In addition to an environmental assessment and associated permit, other permits will include those for water use, air and water discharge, use of explosives and change of use land use. Ejidos agreements are also required with the local communities. Plans must also be established including those covering toxic waste handling, accident prevention and reclamation. Legal mining titles must be established and filed with state agencies.

## **26.0 TAXATION**

Mining operations in Mexico are subject to a number of taxes as follows:

- A corporate income tax is imposed on mining profits calculated net of depreciation. Income tax losses can be carried forward and used to reduce future taxable income. The corporate tax rate is currently 35% but is being reduced to 32% by 2005. A rate of 32% was used in the analyses.
- There is a 2% tax on the capital assets of a firm. This capital tax is not payable during preproduction or during the first 3 years of production. Thereafter, the asset tax is only payable if it exceeds the income tax otherwise payable. In effect it operates as a "Minimum Tax" with income tax payable credited against it. The tax can be carried back 5 years and is indexed for inflation.
- Employee profit sharing. There is compulsory profit-sharing for business concerns in Mexico. The amount distributable in most cases amounts to 10% of taxable income, adjusted to eliminate inflation-derived income and increased by dividend income not otherwise included in taxable income. Use of contract labour may sidestep all, or a portion, of employee profit-sharing.
- Value added tax (IVA). IVA is normally included in the cost of goods and services purchased. IVA for any commercial project in Mexico which export its products are exempt from IVA and any IVA paid is refundable.
- Import and export taxes. These are normally included in the cost of production and are not shown separately. Export projects are exempt from import taxes.
- Payroll taxes. These are normally included in detailed labour costs.

There are no state taxes on corporate income. State and local taxing powers are limited in Mexico.

## **27.0 CAPITAL AND OPERATING COST ESTIMATES**

### **27.1 Initial Capital Cost**

The initial project capital cost estimate was derived from a review of publicly-available cost information on similar heap leach projects in Mexico (see References), adjusted where necessary to reflect differing operating rates, the use of owner-operating mining equipment fleet and other factors. The initial capital cost estimate for a 3,500 tonne per day heap leach operation with an approximate 4 to one strip ratio is estimated at \$26 million, excluding working capital but inclusive of an allowance for spares and first fills. This equates to a capital cost of approximately \$7,500 per daily tonne of ore. Initial working capital is estimated at \$5.6 million.

The capital cost estimate excludes the costs of bringing the project to completion of a Feasibility Study. The accuracy of the capital cost estimate, consistent with scoping-level accuracy, is considered to be +/-35%

**Table 27-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Initial Capital Cost Estimate**

AREA	US\$000's
<b>Mining</b>	
Grubbing, pre-strip, engineering	\$850
Mine Equipment Fleet	\$9,000
<b>Total Mining</b>	<b>\$9,850</b>
<b>Process &amp; leach pads</b>	<b>\$9,700</b>
<b>Infrastructure</b>	<b>\$750</b>
<b>Total Direct Costs</b>	<b>\$20,300</b>
Indirects	\$2,700
Contingency	\$3,450
<b>Initial Fixed Capital</b>	<b>\$26,450</b>
Working Capital	\$5,575
<b>Total Initial Capital</b>	<b>\$32,025</b>

The capital cost estimate assumes new equipment and an owner-operated mining fleet. If used equipment is assumed along with contract mining, capital costs will be substantially reduced. The use of valley-fill leach pads increases the capital costs compared with conventional leach pad designs.

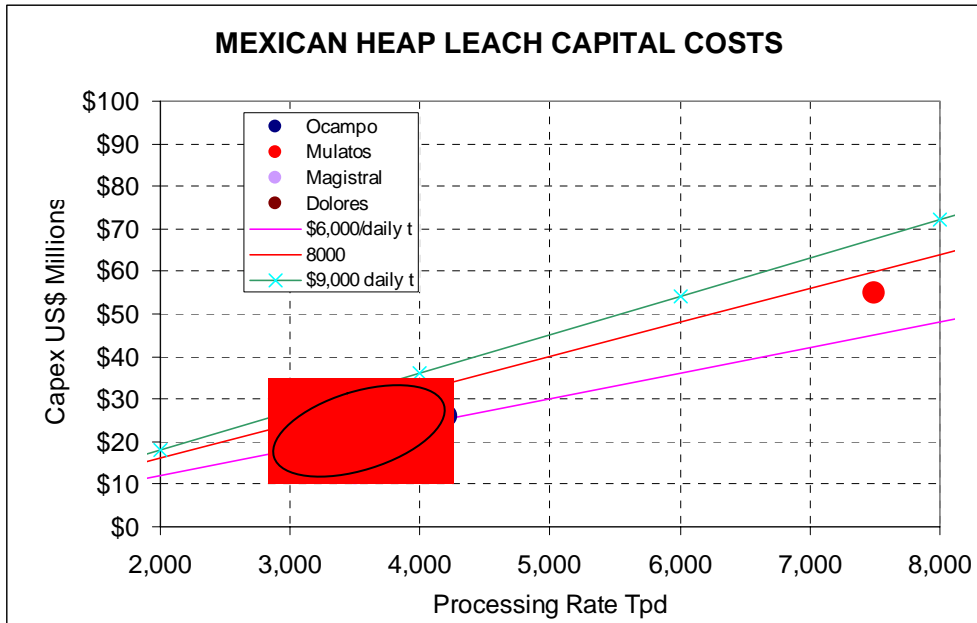
#### **27.1.1 Comparative Project Capital Costs**

Costs for larger or smaller scale operations can be factored from this estimate. Examples of similar projects are the Dolores project, a 10,000 tpd project with estimated

capital of \$80 million, Gammon Lake's Ocampo project, a similar-scale of project at \$26 million and the Alamos' 7,500 tpd Estrella (Mulatos) project at \$56 million (excluding a surface mining fleet). The Dolores project assumes that a 5,000 tpd mill is constructed for a portion of the higher grade ores.

A feasibility study dated May 2000 for the Magistral heap leach project, projected capital costs of \$13.9 million (excluding working capital) for a similar scale of operation. However, the Magistral estimate included used equipment and the leach pads at Magistral are less expensive than the valley-fill type required for Monterde.

**Figure 27-1 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Capital Costs for Selected Mexican Gold Projects vs. Daily Capacity**



**27.1.2 Working Capital**

Working capital is required to finance the initial mining and processing operations prior to the receipt of first revenues. As such it includes the all operating costs prior to the first gold pour. Technically, working capital also includes the costs of stocking warehouse inventories with initial spares and supplies, however this amount has been included in the initial capital cost estimate.

For this scoping study, working capital is assumed at 75 days (2.5 months) of sales revenues less 0.5 months of operating costs. The 75 day delay allows for the commencement of ore mining, stacking of ore on the heaps, leaching the ore, recovering the metal from solution and transporting and selling the doré. Working capital is a temporary use of funds and is recovered after the cessation of operations. Initial working capital is calculated to be approximately \$5.6 million.

**Table 27-2 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Initial Working Capital Detail**

Receivables and Inventory	\$6,026
Less: Payables	(451)
Net Initial Working Cap	\$5,575

### 27.1.3 Preproduction Period

A construction period of two years was assumed in the economic projections with the bulk the capital expenditures in Year 2 of construction.

## 27.2 Operating Costs

Operating cost estimates were derived from a review of publicly-available cost information on similar projects in Mexico (see References), adjusted where necessary to reflect differing strip ratios, operating rates, the owner-operating vs. contract mining, the metal recovery circuit used, and other factors. Similar mining operations Mexico have projected overall costs in the range of \$6 to \$12 per tonne of ore processed. The wide range is due to primarily to varying strip ratios and processing costs. For high silver ores using a Merrill Crowe circuit, processing costs are higher and additional costs are incurred for greater amounts of the high silver doré bars.

**Table 27-3 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Comparable Mexican Heap Leach Operating Costs**

Project	Magistral 2000 Feas.	Mulatos/ Estrella 2002 Scoping	Magistral 2002 Feasibility	Ocampo 2002 Scoping
Processing Rate	3,500 tpd	7,500tpd	3,500tpd	4,200pd
Strip ratio	5.6:1	0.83:1	5.6:1	4.3
Mining	\$4.49	\$1.83	\$4.88	\$4.60
Processing	\$2.31	\$3.25	\$2.34	\$5.50
General & Administrative	\$0.89	\$1.25	\$1.55	\$2.50
<b>Total US\$/tonne ore</b>	<b>\$7.95</b>	<b>\$6.33</b>	<b>\$8.37</b>	<b>\$12.60</b>

The operating costs in the table below should be considered as a whole. The detailed costs are rough breakdowns only. Changing an individual cost item will not necessarily change the overall cost appropriate for each category.

Base unit operating costs for purposes of this study were estimated at \$10.30 per tonne of ore mined and processed, including doré shipping and refining. This equates to \$130 per ounce of gold equivalent using the assumed metals recoveries and diluted grades.

**Table 27-4 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Operating Cost Estimate**

Area	\$/tonne ore	\$ Oz Au-equiv.
Waste Mining \$0.75/t-waste	\$3.00	\$37
Ore Mining \$0.85/t-ore	\$0.85	\$10
Average Mining Cost (4 : 1 strip)	\$3.85	\$47
Process plant	\$4.50	\$56
General & Administrative	\$1.95	\$24
<b>Total Unit Operating Cost</b>	<b>\$10.30</b>	<b>\$127</b>

Note that the G&A cost area also includes assumed doré shipping costs of \$0.40 per ounce of doré. The operating cost estimate is considered to be within +/- 35%

## **27.3 Other Costs**

### **27.3.1 Sustaining Capital**

Sustaining capital includes an allowance for periodic equipment replacement, and construction of additional leach pads and/or impoundment areas. An annual allowance equal to 2% of initial capital costs was assumed starting in Year 2.

Total sustaining capital over project life is \$2.3 million.

### **27.3.2 Closure Costs**

A post-operation mine closure cost of \$2.1 million, equivalent to \$0.07 per tonne of material mined (or \$0.36/tonne-ore), was assumed based on costs from similar scoping studies.

### **27.3.3 Salvage Value**

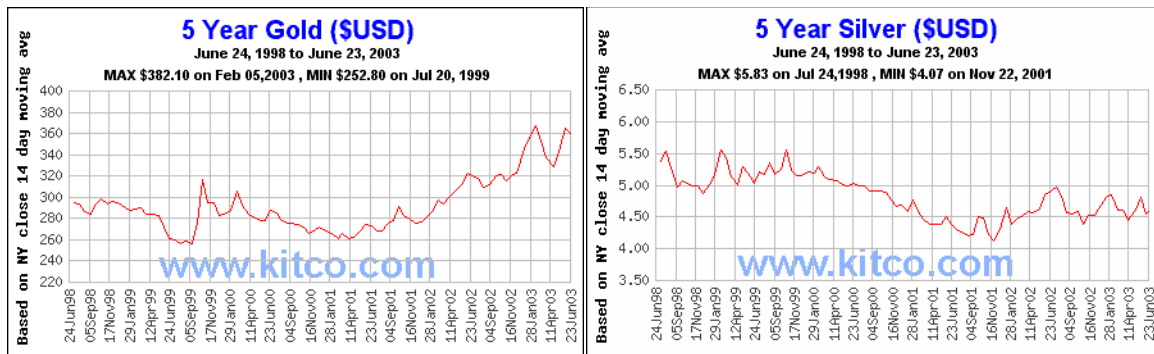
A post closure equipment salvage value equal to 5% of initial capital (\$1.3 million) was assumed.

## **27.4 Economic Analysis**

### **27.4.1 Metal Prices**

A gold price of \$340 per ounce and a silver price of \$4.50 per ounce were used in for the Base Case. The current prices as of July 2 2003 are approximately \$351 per ounce for gold and \$4.62 per ounce for silver.

**Figure 27-2 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Historic Gold and Silver Prices**



#### 27.4.2 Exchange Rate

Where applicable, a US-Canadian exchange rate of 0.73 US dollars per Canadian dollar was assumed.

#### 27.4.3 Inflation

No inflation of prices or costs was assumed.

#### 27.4.4 Project Financing

Equity was assumed for 100% of project capital costs. Under Base Case assumptions, if gold loan financing were assumed for a portion of the required capital, equity IRR would increase substantially due to the financial leveraging effect.

#### 27.4.5 Base Case Economic Summary

The Base Case technical assumptions are summarized in the Table below. A gold price of \$340 per ounce and a silver price of \$4.50 per ounce were assumed.

Under the Base Case assumptions, the Monterde Project, at its current early stage of development, demonstrates robust potential economics. On a per equivalent ounce basis, cash operating costs average \$127/oz, and total costs, including initial capital, are \$183 per ounce. At a gold price of \$340 per ounce and silver price of \$4.50 per ounce, after-tax Internal Rate of Return (IRR) is 34.8% and Net Present Value after tax using a discount rate of 8% is C\$31.4 million. Payback period is 2.3 years from the commencement of production.

**Table 27-5 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Summary of Base Case Economic Results**

Operating rate tonnes/day	3,500
Waste to Ore Ratio	4.0
Scheduled ore tonnes	5,820
Mine Life	5.5 years
Diluted Gold Grade g/t	2.26
Diluted Silver Grade g/t	108
Gold Recovery	80%
Silver Recovery	50%
Gold Produced ozs	338,323
Silver Produced ozs	10,064,144
Gold Equivalent ozs	471,525
<b>Capital Costs US\$000s</b>	
Initial Capital Costs	\$26,450
Working Capital	5,575
Total Initial Capital	\$32,045
<b>Unit Operating Costs \$/t</b>	
Mining	\$3.85
Process	\$4.50
G & A (incl dore)	\$1.95
Total Op Costs \$/t	\$10.30
Total Op Costs \$/oz Au equiv	\$127
<b>Project Economic Results</b>	
Internal Rate of Return Pre-tax	47.3%
Internal Rate of Return After-tax	34.8%
Payback Period (from prodn. Start)	2.3
After tax NPV 8% C\$000	\$31,446

**Table 27-6 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Summary of Base Case Economic Results**

Item	Base Case	Revenue		Operating Costs		Capital Costs	
		+30%	-30%	+30%	-30%	+30%	-30%
IRR- Pre-tax	47.3%	72.1%	17.8%	36.6%	57.6%	34.7%	68.3%
IRR- After-tax	34.8%	53.5%	12.7%	26.8%	42.5%	25.3%	50.7%
After tax NPV@ 8% C\$000s	\$31,446	\$58,096	\$4,795	\$21,351	\$41,540	\$24,880	\$37,373

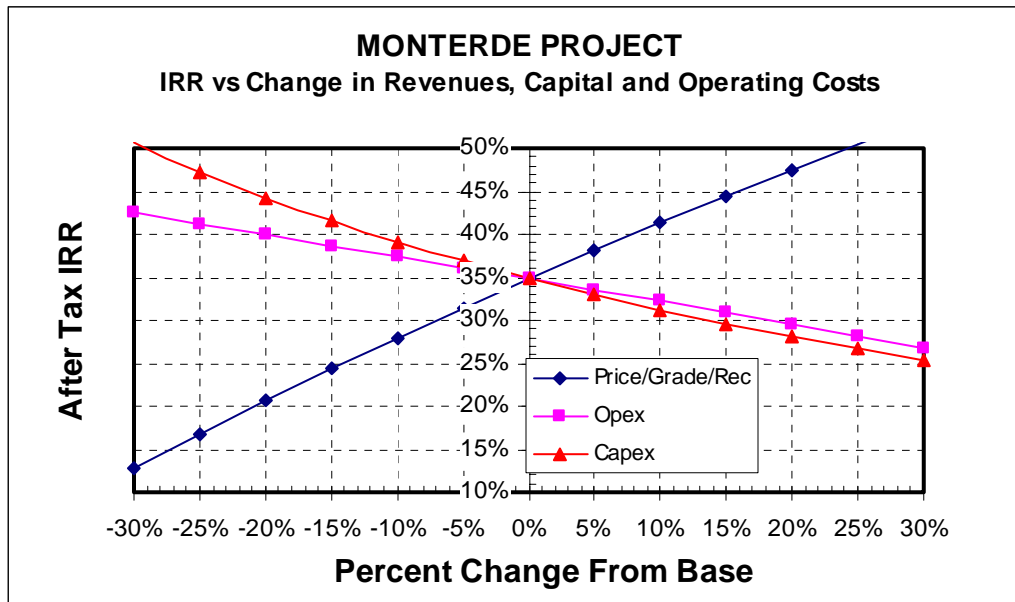
## 27.5 Project Economic Sensitivities

### 27.5.1 Changes in Revenue, Capital and Operating Costs

The chart below displays the standard sensitivity chart showing the change in IRR for percentage variations from base case assumptions, specifically revenues (prices, grades, and recoveries), capital costs and operating costs.

As with most projects, the economics are most sensitive to percentage changes in any factors that affect revenues. These factors include metal grades, recovery and metal prices.

**Figure 27-3 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Sensitivity of IRR to Revenues and Costs**



### 27.5.2 Sensitivity to Gold Prices

The table below demonstrates the sensitivity of the Project economics to lower gold prices. Under Base Case assumptions, the Project is able to demonstrate economic viability at gold prices well below \$300 per ounce.

**Table 27-7 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Sensitivity of IRR and NPV to Gold Price**

Gold Price US\$/oz	Aft tax IRR	NPV 8% US\$000s	NPV 8% C\$000s
\$270	24.6%	\$13,376	\$18,323
\$280	26.1%	\$14,744	\$20,198
\$290	27.6%	\$16,113	\$22,072
\$300	29.1%	\$17,481	\$23,947
\$310	30.6%	\$18,850	\$25,822
\$320	32.0%	\$20,218	\$27,696
\$330	33.4%	\$21,587	\$29,571
\$340	<b>34.8%</b>	<b>\$22,955</b>	<b>\$31,446</b>
\$350	36.2%	\$24,324	\$33,321
\$360	37.6%	\$25,693	\$35,195
\$370	39.0%	\$27,061	\$37,070

### 27.5.3 Sensitivity to Combined Gold and Silver Price Changes

The effects of higher or lower gold and silver prices on project IRR are summarized in the table below. The Base Case IRR is shaded.

**Table 27-8 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Sensitivity of After-tax IRR to Gold and Silver Prices**

Gold Price	Silver Price									
	\$4.00	\$4.10	\$4.20	\$4.30	\$4.40	\$4.50	\$4.60	\$4.70	\$4.80	\$4.90
	After Tax IRR									
\$300	26.9%	27.3%	27.8%	28.2%	28.7%	29.1%	29.5%	30.0%	30.4%	30.8%
\$310	28.4%	28.8%	29.3%	29.7%	30.1%	30.6%	31.0%	31.4%	31.9%	32.3%
\$320	29.8%	30.3%	30.7%	31.1%	31.6%	32.0%	32.4%	32.9%	33.3%	33.7%
\$330	31.3%	31.7%	32.2%	32.6%	33.0%	33.4%	33.9%	34.3%	34.7%	35.1%
\$340	32.7%	33.2%	33.6%	34.0%	34.4%	<b>34.8%</b>	35.3%	35.7%	36.1%	36.5%
\$350	34.2%	34.6%	35.0%	35.4%	35.8%	36.2%	36.7%	37.1%	37.5%	37.9%
\$360	35.6%	36.0%	36.4%	36.8%	37.2%	37.6%	38.0%	38.4%	38.8%	39.2%
\$370	37.0%	37.4%	37.8%	38.2%	38.6%	39.0%	39.4%	39.8%	40.2%	40.6%
\$380	38.3%	38.7%	39.1%	39.5%	39.9%	40.3%	40.7%	41.1%	41.5%	41.9%
\$390	39.7%	40.1%	40.5%	40.9%	41.3%	41.7%	42.1%	42.5%	42.9%	43.3%
\$400	41.0%	41.4%	41.8%	42.2%	42.6%	43.0%	43.4%	43.8%	44.2%	44.6%

Due to its relatively high grades, the Monterde Project has potential economical viability at gold prices lower than \$300 per ounce. For example at gold prices of \$300 per ounce and a silver price of \$4.00, the Project has an IRR after tax of 26.9%.

#### **27.5.4 Sensitivity to Increased Dilution**

The geological resources of Monterde project have relatively high gold equivalent grade for a heap leach gold project. The mineable grade however is not known with any certainty until detailed mining studies are undertaken. At this point, it is anticipated that the mineable grade may be less than the in-situ geological grade. The table below shows the effect of percentage dilution of the geologic resource with lower grade material (0.22 g/t gold and 43 g/tonne silver) on the economic results. The Base Case assumption is a dilution with 20% low grade and is shaded for clarity. As with any factor that reduces potential revenues, the project economics are highly sensitive to changes in grade.

**Table 27-9 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Sensitivity of IRR and NPV to Grade Dilution**

<b>% Dilution with Lower Grade</b>	<b>After Tax IRR</b>	<b>After tax NPV @8% C\$000</b>
0%	43.4%	\$37,231
5%	41.2%	\$35,915
10%	38.7%	\$34,151
15%	36.7%	\$32,769
<b>20%</b>	<b>34.8%</b>	<b>\$31,446</b>
25%	33.2%	\$30,176
30%	31.1%	\$27,757
35%	29.6%	\$26,446
40%	28.1%	\$25,184

*Note: Base Case dilution assumption and results are shaded*

#### **27.5.5 Sensitivity to Dilution and Resources**

The table below displays the combined effects on the economic results of changes in the mineable tonnage and grade. The Base Case result is shaded in bold italic. The table also shows the effects of adding additional resource tonnage beyond the currently-estimated 6.1 million tonne figure.

**Table 27-10 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Sensitivity of After-tax IRR to Grade Dilution and Mineable Resources**

	Mineable Resources (000 tonnes) Percentage of Stated Geologic Resources									
	3,637	4,244	4,850	5,456	6,062	6,669	7,275	7,881	8,487	9,093
Mineable Undiluted	<b>60%</b>	<b>70%</b>	<b>80%</b>	<b>90%</b>	<b>100%</b>	<b>110%</b>	<b>120%</b>	<b>130%</b>	<b>140%</b>	<b>150%</b>
<b>Grade Dilution</b>										
<b>0%</b>	38.5%	41.3%	43.4%	44.7%	45.8%	46.2%	46.9%	47.1%	47.3%	47.5%
<b>5%</b>	36.5%	39.0%	41.2%	42.3%	43.0%	43.7%	44.2%	44.5%	44.7%	44.9%
<b>10%</b>	34.8%	37.0%	38.7%	40.1%	40.7%	41.5%	41.8%	42.1%	42.3%	42.4%
<b>15%</b>	33.2%	35.1%	36.7%	38.1%	38.6%	39.2%	39.7%	39.9%	40.1%	40.2%
<b>20%</b>	30.8%	33.5%	<b>34.8%</b>	35.7%	36.7%	37.2%	37.6%	37.9%	38.0%	38.1%
<b>25%</b>	29.2%	31.5%	33.2%	33.9%	34.7%	35.4%	35.7%	35.9%	36.1%	36.2%
<b>30%</b>	27.7%	29.9%	31.1%	32.3%	33.0%	33.5%	33.9%	34.2%	34.3%	34.5%
<b>35%</b>	26.4%	28.4%	29.6%	30.6%	31.4%	31.9%	32.3%	32.5%	32.7%	32.8%
<b>40%</b>	25.2%	27.0%	28.1%	29.1%	29.9%	30.4%	30.7%	31.0%	31.1%	31.2%

*Note: Base Case IRR is shaded in bold italics*

### 27.5.6 Base Case Cashflow Projection

The proforma Base Case cashflow projection is displayed below.

**Table 27-11 Kimber Resources Ltd.  
Monterde Preliminary Assessment  
Base Case Cashflow Projection**

MONTERDE GOLD-SILVER PROJECT, MEXICO												
Preliminary Assessment Base Case Cashflow Summary												
		Prices			Opex			Capex				
		0%			0%			0%				
Gold \$340												
Silver \$4.50												
Debt Percent 0%												
		2005	2006	2007	2008	2009	2010	2011	2012	2013	Rmdr	TOTAL
		-2	-1	1	2	3	4	5	6	7		
W:O ratio				4.0	4.0	4.0	4.0	4.0	4.0	4.0		4.0
Waste	Ktonnes	0	0	4,200	4,200	4,200	4,200	4,200	2,279	0		23,279
Ore Processed (3500 tpd)	Ktonnes	0	0	1,050	1,050	1,050	1,050	1,050	570	0		5,820
Diluted Gold Grade	20% g/t			2.26	2.26	2.26	2.26	2.26	2.26	0.00		2.26
Diluted Silver Grade	g/t			108	108	108	108	108	108	0		108
Equiv Gold Grade	oz/t-equiv			0.11	0.11	0.11	0.11	0.11	0.11			
Recoverable Gold (on pad)	80% ozs			61,040	61,040	61,040	61,040	61,040	33,124		0	338,323
Recoverable Silver (on pad)	50% ozs			1,815,757	1,815,757	1,815,757	1,815,757	1,815,757	985,357		0	10,064,144
Gold Equiv.	ozs			85,072	85,072	85,072	85,072	85,072	46,166		0	471,525
Gold Equiv Grade	oz/t			0.101	0.101	0.101	0.101	0.101				
Gold Equiv Grade	g/t			3.15	3.15	3.15	3.15	3.15				
		US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s	US\$000s
Revenue: Gold		\$0	\$0	\$20,754	\$20,754	\$20,754	\$20,754	\$20,754	\$11,262	\$0	\$0	\$115,030
Silver		0	0	8,171	8,171	8,171	8,171	8,171	4,434	0	0	45,289
Net Revenue	US\$/t	0	0	28,924	28,924	28,924	28,924	28,924	15,696	0	0	160,319
Waste	\$0.75	0	0	3,150	3,150	3,150	3,150	3,150	1,709	0	0	17,459
Ore	\$0.85	0	0	893	893	893	893	893	484	0	0	4,947
Mill	\$0.00	0	0	0	0	0	0	0	0	0	0	0
Leach/Process	\$4.50	0	0	4,725	4,725	4,725	4,725	4,725	2,564	0	0	26,189
G&A incl dore ship	\$1.25 \$0.40	0	0	2,063	2,063	2,063	2,063	2,063	1,120	0	0	11,436
Operating Costs		0	0	10,831	10,831	10,831	10,831	10,831	5,878	0	0	60,031
	\$/tonne incl ref			\$10.31	\$10.31	\$10.31	\$10.31	\$10.31	\$10.31			\$10.31
	\$/oz-equiv			\$127	\$127	\$127	\$127	\$127	\$127			\$127
Operating Cashflow		0	0	18,094	18,094	18,094	18,094	18,094	9,819	0	0	100,287
Taxation/Profit Sharing		0	0	3,006	4,964	4,964	4,964	4,964	4,968	0	0	27,828
After Tax Operating Cashflow		0	0	15,088	13,130	13,130	13,130	13,130	4,851	0	0	72,460
Initial Capital	10% 90%	2,645	23,805	0	0	0	0	0	0	0	0	26,450
Working capital (incl Inventory)		0	0	5,575	0	0	0	0	-5,575	0	0	0
Sustaining Capital/Reclam	2.0%	0	0	0	529	529	529	529	0	2,328	0	4,444
Salvage	5%	0	0	0	0	0	0	0	0	-1,323	0	-1,323
Capital Expenditures		2,645	23,805	5,575	529	529	529	529	-5,575	1,005	0	29,571
<b>Net Cashflow Before Financing</b>		<b>-2,645</b>	<b>-23,805</b>	<b>9,513</b>	<b>12,601</b>	<b>12,601</b>	<b>12,601</b>	<b>12,601</b>	<b>10,426</b>	<b>-1,005</b>	<b>0</b>	<b>42,888</b>
Debt Service (Loan Draw)		0	0	0	0	0	0	0	0	0	0	0
<b>Net Cashflow After Financing</b>		<b>-2,645</b>	<b>-23,805</b>	<b>9,513</b>	<b>12,601</b>	<b>12,601</b>	<b>12,601</b>	<b>12,601</b>	<b>10,426</b>	<b>-1,005</b>	<b>0</b>	<b>42,888</b>
Pre-tax Cashflow		-2,645	-23,805	11,744	16,285	16,285	16,285	16,285	14,113	-1,005		

Pre-tax IRR	47.3%
After tax IRR	34.8%
Payback*	2.3

\* from start of prodn

Disc Rate	0%	8.0%	10.0%	15.0%
NPV US\$	\$42,888	\$22,955	\$19,517	\$12,732
NPV C\$	C\$58,751	C\$31,446	C\$26,736	C\$17,442

## 28.0 ILLUSTRATIONS

For additional illustrations of the Monterde property, refer to A.A. Burgoyne's Technical Reports on the Monterde Property and to Kimber's Prospectus filed on SEDAR and to their website.

Dated this 3<sup>rd</sup> of July, 2003



Robert T. McKnight, P.Eng.

