

## **Kimber Resources Inc.**

### **Management's Discussion and Analysis**

The following management discussion and analysis of the Company's financial position is for the three and six month periods ended December 31, 2007 and covers information up to the date of this report. This discussion should be read in conjunction with the attached "Interim Unaudited Consolidated Financial Statements" which have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), and the "Audited Consolidated Financial Statements" and "Management's Discussion and Analysis" for the year ended June 30, 2007. The discussion and analysis may contain certain forward-looking statements about the Company's future prospects, and the Company provides no assurance that actual results will meet management's expectations.

All amounts are stated in Canadian dollars unless indicated otherwise. Additional information regarding the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com), on EDGAR at [www.sec.gov/edgar.com](http://www.sec.gov/edgar.com) and on the Company's website at [www.kimberresources.com](http://www.kimberresources.com).

This management's discussion and analysis is dated February 12, 2008.

#### **Introduction**

Kimber Resources Inc. is a Canadian-based company principally engaged in the exploration of the Monterde gold/silver property located in the Monterde Mining District in the state of Chihuahua, Mexico. The Company's primary targets are ore bodies, where gold and silver are amenable to extraction. The Company's policy allocates the greater part of its funds to exploring for additional gold-silver resources on its principal asset, the Monterde Property.

While drilling exploration targets for additional gold and silver resources, the Company is advancing the Carmen deposit so that its full value can be recognized.

#### **Results of Operations**

The net loss for the three month period ended December 31, 2007 was \$661,099 or \$0.01 per common share compared with \$737,982 or \$0.01 per share loss for the three months ended December 31, 2006.

During the three months ended December 31, 2007 the Company spent \$933,832 on its mineral properties (as compared to \$3,029,602 for the three months ended December 31, 2006); \$nil was incurred for property acquisition payments and taxes. The exploration costs at Monterde were \$2,095,770 lower than the comparable quarter due to reduced drilling, assays and supplies to the field in relation to the Carmen property. Drilling costs were \$nil compared to \$990,155 in December 31, 2006. Assay costs during the three months ended December 31, 2007 were \$472 compared to \$398,513 for the comparable period ended December 31, 2006. Camp supplies costs were \$36,899 compared to \$215,367 for the comparable period ended December 31, 2006. Geological expenditures were \$258,021 compared to \$291,202 in the three months ended December 31, 2006.

In accordance with the stock-based compensation policy required by the Canadian Institute of Chartered Accountants the Company recorded an expense of \$43,392 on 400,000 stock options granted in the period. This is a non-cash expense and does not affect the Company's operations. Without this non-cash expense, the Company would have recorded a loss of \$617,707 or \$0.012 weighted average loss per share during the quarter.

Salary and benefits expenses increased to \$349,335 in the three months ended December 31, 2007 from \$175,058 in the three months ended December 31, 2006 due to the hiring of two senior employees during the quarter, and increased director fees resulting from increased activity and increased fee levels in 2007. However effective January 1, 2008 the director fee structure has been significantly reduced and will lead to lower expense amounts in 2008.

Legal audit and consulting fees decreased to \$116,906 for the quarter ended December 31, 2007 as compared to \$234,865 for the comparable period ended December 31, 2006. The decrease in relation to the comparable quarter

is attributable to the resolved proxy battle. Current quarter costs include fees relating to SOX compliance and legal regulatory requirements.

Investor relations and shareholder communications expenses decreased to \$22,842 in the three months ended December 31, 2007 from \$147,331 in the three months ended December 31, 2006. Costs include amounts relating to the annual general meeting held in December each year.

Office and miscellaneous expenses increased during the period ended December 31, 2007 to \$81,638 from \$63,421 in 2006. The increase is mainly attributable to increased insurance costs, office supplies, printing costs, computer service and maintenance costs.

Rent expense for the head office increased to \$46,586 in the period ended December 31, 2007 from \$39,197 in the three month period ended December 31, 2006.

The Company recorded a gain from foreign exchange of \$12,210 during the three months ended December 31, 2007 as opposed to a loss of \$1,779 in the period ended December 31, 2006. The loss comes from funds advanced to Mexico during the current and previous periods that have changed in value due to fluctuations in the Mexican peso or United States Dollar relative to the Canadian dollar.

### Summary of Quarterly Results for periods ended March 31, 2006 to December 31, 2007

	<b>Q3</b> Mar31/06	<b>Q4</b> Jun30/06	<b>Q1</b> Sep30/06	<b>Q2</b> Dec31/06
Interest income	74,470	162,867	144,861	117,901
Total Loss	(546,797)	(705,370)	(418,217)	(737,982)
Loss per share	(0.01)	(0.02)	(0.01)	(0.01)

	<b>Q3</b> Mar31/07	<b>Q4</b> Jun30/07	<b>Q1</b> Sep30/07	<b>Q2</b> Dec 31/07
Interest income	85,841	66,890	58,079	43,653
Total Loss	(606,468)	(2,051,271)	(839,649)	(661,099)
Loss per share	(0.01)	(0.04)	(0.02)	(0.01)

The Company is in the exploration stage, and therefore, variances in its quarterly losses are not affected by sales or production-related factors. Increases in costs are generally attributed to growth in operations and success in financing activities, which allow the Company to undertake further development and exploration on its properties.

Revenues for the Company are for interest and gains received on cash or short-term investments (low-risk banker's acceptance notes that currently yield 4.40% on an annual basis) classified as cash. Interest revenues fluctuate according to the amounts of funds held in deposit and interest rates offered during the period. Kimber does not have revenues from mining operations and does not expect to have revenues in the near future other than interest received on cash balances.

### Financial Condition

At December 31, 2007, the Company had working capital of \$2,574,188 (September 30, 2007 - \$4,085,463). The change in working capital is the result of decreased available cash and cash equivalents to \$3,208,140 compared to the previous period (September 30, 2007 - \$4,933,606). During the three months ended December 31, 2007 the Company issued 25,000 shares for net proceeds of \$11,250 from option exercises.

Current liabilities were \$894,740 at December 31, 2007 compared to \$1,092,207 as at September 30, 2007. The amounts include routine accounts payable at the end of the period, paid subsequently, as well as related parties payables accrued in respect of the settlement agreements referred to in the contractual obligation section of this report. The Company has no long-term indebtedness or long-term obligations.

## **Cash Flows**

The Company generates cash inflow from selling its shares either through financings or the exercise of existing share purchase warrants and stock options. There is a liquidity risk that these warrants and options may not be exercised if the price of the Company's share price falls below the exercise price due to market conditions.

Amounts receivable increased by \$34,291 to \$219,724 during the three months ended December 31, 2007 mainly attributable to input tax credit payments for IVA Tax receivable from the Government of Mexico. Receivables for IVA are 15% of expenditures in Mexico. As at December 31, 2007 four months (September to December inclusive) of IVA are receivable compared to four months as at September 30, 2007.

Prepaid expenses, which are mostly insurance policies and advances for investment conferences, decreased from the previous quarter by \$17,747 to \$41,064.

During the three months ended December 31, 2007 the Company issued 25,000 shares for net proceeds of \$11,250 from option exercises.

## **Financings**

On February 8, 2008 the Company announced its plan to close a non-brokered private placement of up to 6,666,667 units to raise \$5 million subject to a possible oversubscription of up to an additional \$1 million on the same terms. Each unit was priced at C\$0.75 and consisted of one common share plus one half of one non-transferable common share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at a price of C\$1.25 per warrant share for a period of 24 months from the date on which the units were issued.

## **Contractual Obligations**

The Company has no long-term debt and does not anticipate that it will require debt financing for current planned expenditures. Kimber has no future contractual obligations to property vendors for the Monterde Property.

The Company leases its office premises under an operating lease which expires in the fiscal year ending June 30, 2011. The Company is obligated to make basic rent payments under its operating lease in each of the fiscal years from 2007 to 2011 totalling \$290,407 at December 31, 2007. In addition, under the lease the Company has the obligation to pay its proportionate share of operating costs and taxes for the building.

By Settlement Agreements dated April 26, 2007 the Company settled all claims which Robert V. Longe, the former President, CEO and Director and Michael E. Hoole, Vice President and Secretary may have in respect to Change of Control Agreements with each of them dated January 13, 2004.

Pursuant to the settlement agreement with Mr Longe, the Company has agreed to pay him \$339,657 plus unused vacation upon retirement on or before October 31, 2007. Mr Longe retired on October 31, 2007. \$170,000 plus unused vacation of this amount was paid during the quarter and the balance has been accrued at December 31, 2007.

Pursuant to the settlement agreement with Mr Hoole, it has been agreed that Mr Hoole will remain as Vice President and Secretary of the Company until his date of termination as an officer on or before February 28, 2008 and he will be paid \$339,657 by way of salary continuance from May 1, 2007 until he ceases to be an officer and employee of the Company with the balance payable at that time. At December 31, 2007 the Company owes \$230,449 (\$312,355 as at June 30, 2007) of remaining commitments to Mr. Hoole. In addition, Mr Hoole is being paid at the rate of \$1,000/day for each day worked for the Company. This amount has been accrued at quarter end.

## **Capital Resources and Liquidity**

Capital resources of the Company consist primarily of cash and liquid short-term investments. As at December 31, 2007 the Company's working capital consisted of cash and cash equivalents of \$3,208,140, receivables of \$219,724 and payables of \$894,740. As at December 31, 2007, the overall net working capital of the Company was \$2,574,188

If existing vested, in-the-money options were exercised, the Company would generate \$344,900.

On February 8, 2008 the Company announced its plan to close a non-brokered private placement of up to 6,666,667 units to raise \$5 million subject to a possible oversubscription of up to an additional \$1 million on the same terms. Each unit was priced at C\$0.75 and consisted of one common share plus one half of one non-transferable common share purchase warrant, each whole warrant entitling the holder to purchase one additional common share at a price of C\$1.25 per warrant share for a period of 24 months from the date on which the units were issued.

Management believes that it will have sufficient financial resources to continue planned operations over the next six months.

The Company does not anticipate the payment of dividends in the foreseeable future.

## **Related Party Transactions**

Amounts paid to related parties were in the normal course of operations and were valued at fair market value as determined by management.

## **Mineral Properties**

The Monterde Property, located in the Sierra Madre Mountains of southwestern Chihuahua State, is the Company's principal asset. It covers approximately 29,000 hectares in claims which stretch for 37 kilometres along the trend of mineralization. Access to the developed part of the property is by 225 km of paved highway from Chihuahua city followed by 35 km of logging road from San Rafael, where railroad and power are also available.

The Company holds 100% of the Monterde property, free of royalties, through its wholly-owned Mexican subsidiary, Minera Monterde, S. de R.L. de C.V. In its northern part, three mineral deposits, the Carmen, Carotare, and Veta Minitas have been developed to the point of having gold and silver resources, most of them in the Measured and Indicated categories. Details of these resources are listed in the Annual Report, filed on SEDAR and EDGAR, and displayed on the Company's website.

The principal deposit is the Carmen on which 572 holes have been drilled. Like many other deposits in the Sierra Madre, it falls in the category oxidized, low sulphidation, epithermal. There are two satellite deposits: the Veta Minitas which is adjacent to the Carmen, and the Carotare, two kilometres to the east.

### **Carmen deposit**

No drilling was carried out during the first or second quarters of the current fiscal year ending June 30, 2008. Drilling is planned for the six month period ended June 30, 2008 and will involve core drilling at greater depths than previous drilling.

During the period May to December 2007 the principal focus on the Carmen deposit has been to compile all geologic data (from drill holes, mapping and sampling) so that greater detail can be applied to resource estimates (for both open pit and underground mining) and to the distribution of high and low recovery zones for silver within the deposit. This definitive geologic compilation and the accompanying interpretation are pre-requisites for the next resource estimates and for all economic studies to follow.

Completion of the geologic compilation with the characterization and agitation tests is targeted to outline the different silver-recovery zones within the deposit.

## **Exploration Drilling at Carotare & Veta Minitas**

Drilling on the Veta Minitas and on extensions to the Carotare deposit ended in January 2007. However both Veta Minitas and Carotare are being reviewed by the new Vice President Exploration, Marius Mare, and the Mexican geological team with a view to evaluating the potential for further drilling in 2008.

## **Exploration on the Monterde Property**

Results from the northern part of the Monterde property identified five catchment basins with significantly anomalous values in silver and gold on which follow up investigations are being considered.

## **Other Properties**

The Company holds two other properties, the Setago, also in the Sierra Madre, 24 km to the west of Monterde, and Pericones in Estado de Mexico. Both were acquired by staking and are 100% owned. Extensive mapping and sampling is planned for Pericones during the months of March and April 2008.

## **Safety**

Kimber continues to encourage a safe work environment. Safety meetings have been held and first aid instruction given. Protective equipment is mandatory in the vicinity of heavy machinery and underground.

## **Off-Balance Sheet Arrangements**

The Company has no off-balance sheet arrangements or transactions and none are contemplated.

## **Financial and Other Instruments**

The Company maintains the majority of its cash balances in Canadian dollars and converts them to United States dollars or Mexican Pesos when payments are required. No hedging has been undertaken to date as management has viewed the Canadian dollar as the stronger currency in recent years. No funds have been invested in asset-backed commercial paper.

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, the fair value of which approximates their carrying value due to the short term to maturity. Property payment commitments are due in United States dollars which will vary with the Canadian/US dollar exchange rate.

## **Legal Proceedings**

The Company and its subsidiaries are not parties to any legal proceedings and have no contingent liabilities, except as follows:

On September 12, 2006 an employee of Minera Monterde, S. de R.L. de C.V., a subsidiary of Kimber Resources Inc., was involved in a road collision with a group of cyclists while driving a truck owned by this subsidiary. In December 2006, the Company paid \$89,401 into a Mexican court as security in respect of any possible liability that the driver may have. The Company has not yet received formal releases from all potential claimants, but does not anticipate that there will be any further payments required in relation to this incident.

## **Changes in Accounting Policy**

Effective July 1, 2007, the Company adopted the new recommendations of the Canadian Institute of Chartered Accountants ("CICA") under CICA Handbook Section 1530, Comprehensive Income, Section 3855, Financial Instruments – Recognition and Measurement, Section 3861, Financial Instruments – Disclosure and Presentation and Section 3865, Hedges. These new Handbook Sections provide requirements for the recognition and measurement of financial instruments and on the use of hedge accounting.

## **Internal Controls Over Financial Reporting**

The Company's management, with the participation of its Chief Executive Officer and Chief Financial Officer, are responsible for establishing and maintaining adequate internal control over financial reporting. Under the supervision of the Chief Financial Officer, the Company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles ("GAAP"). The Company's controls include policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the annual financial statements or interim financial statements.

There has been no significant change in the Company's internal control over financial reporting during the quarter ended December 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## **Disclosure Controls and Procedures**

The Company has disclosure controls and procedures in place to provide reasonable assurance that material information is made known to the President and Chief Financial Officer and other officers and have concluded that its disclosure controls and procedures are effective.

## **Outstanding Share Data**

The Company has one class of shares and at December 31, 2007 the Company had 49,873,620 shares issued and 52,938,620 outstanding on a fully diluted basis.

The Company has a stock option plan and at December 31, 2007 there were 3,065,000 options outstanding. Of the 3,065,000 options granted to employees, directors and consultants 1,976,667 had vested.

The Company had no warrants outstanding as at December 31, 2007.

## **Risk and Uncertainties**

Except for historical information contained in this discussion and analysis, disclosure statements contained herein are forward-looking, which statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

The Company is a mineral exploration company and is exposed to a number of risks and uncertainties that are common to other companies in the same business; some of these risks have been discussed elsewhere in this report and in the notes to financial statements.

The Company's financial success is subject to general market conditions, which affect mining and exploration companies. The value of the Company's mineral resources and future operating profit and loss may be affected by fluctuations in precious metal prices, over which the Company has no control, although it may choose to hedge some of its future production. The cost of exploration and future capital and operating costs are affected by foreign exchange rates for the Canadian dollar, United States dollar and Mexican peso. The Company can mitigate the effects of these rate fluctuations, to some extent, through forward purchases. Because of its limited operating record and history of losses, it may not be able to hedge future risk to the extent it feels is warranted. The Company also competes with other mining companies, which are larger and have more economic resources to acquire prospective exploration properties or producing mines.

The Company also faces certain risks and uncertainties specific to its circumstances. The Company's ability to obtain financing to explore for mineral deposits and to continue and complete the development of those properties it has classified as assets is not assured; nor is there assurance that the expenditure of funds will result in the discovery of an economic mineral deposit. The Company has not completed a feasibility study on any of its deposits to determine if it hosts a mineral resource that can be economically developed and profitably mined. While the Company has used its best efforts to secure title to all its properties and secured access to surface rights, these titles or rights may be disputed.