

KIMBER RESOURCES INC.

Consolidated Financial Statements
(stated in Canadian dollars)

June 30, 2007

June 30, 2006

June 30, 2005

(Audited)

(An exploration stage Company)

AUDITORS' REPORT

To the Shareholders of
Kimber Resources Inc.

We have audited the consolidated balance sheets of Kimber Resources Inc. as at June 30, 2007 and 2006 and the consolidated statements of operations and deficit and cash flows for the years ended June 30, 2007, 2006 and 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30, 2007 and 2006 and the results of its operations and cash flows for the years ended June 30, 2007, 2006 and 2005 in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain significant respects from accounting principles generally accepted in the United States. Application of accounting principles generally accepted in the United States would have affected assets and deficit as at June 30, 2007, 2006 and 2005 and results of operations and cash flows for the years then ended to the extent summarized in Note 11 to the consolidated financial statements.

Vancouver, B.C.
September 14, 2007

"D&H Group LLP"
Chartered Accountants

KIMBER RESOURCES INC.
 Consolidated Balance Sheets
(stated in Canadian dollars)

June 30,

2007 2006

A S S E T S

Current Assets

Cash and cash equivalents	\$ 6,200,602	\$ 15,866,960
Amounts receivable <i>(note 4)</i>	429,481	993,441
Prepaid expenses	57,246	46,837
	6,687,329	16,907,238

Equipment <i>(note 5)</i>	644,230	603,347
Unproven mineral right interests <i>(Schedule, note 2 & 3)</i>	32,176,965	21,749,820
	\$ 39,508,524	\$ 39,260,405

L I A B I L I T I E S

Current liabilities

Accounts payable and accrued liabilities	\$ 663,642	\$ 1,422,519
Due to related parties <i>(note 9)</i>	652,012	-
	1,315,654	1,422,519

Commitment *(note 13)*
 Contingent liability *(note 14)*

S H A R E H O L D E R S ' E Q U I T Y

Share capital <i>(note 7)</i>	46,762,332	42,766,942
Contributed surplus <i>(note 8)</i>	1,970,385	1,796,853
Deficit	(10,539,847)	(6,725,909)
	38,192,870	37,837,886
	\$ 39,508,524	\$ 39,260,405

Nature of operations *(note 1)*
 Subsequent events *(note 12)*

Approved on behalf of the Board of Directors:

"R. V. Longe"

Robert V. Longe, Director

"S.P. Quin"

Stephen P. Quin, Director

KIMBER RESOURCES INC.
Consolidated Statements of Operations and Deficit
(stated in Canadian dollars)

	Years ended June 30,		
	2007	2006	2005
		<i>(Note 2(n))</i>	<i>(Note 2 (n))</i>
Revenue	\$ -	\$ -	\$ -
Expenses			
Amortization of equipment	\$ 28,819	\$ 38,406	\$ 24,034
Foreign exchange (gain)/loss	10,701	22,636	(17,103)
General exploration	39,398	124,730	24,893
Interest and bank charges	2,367	1,671	4,043
Investor relations	211,187	309,669	195,163
Office and miscellaneous	252,637	186,614	123,421
Legal, consulting and audit	952,743	150,424	51,380
Rent	161,508	72,775	64,365
Salaries and benefits <i>(note 9)</i>	1,840,643	726,239	570,991
Stock-based compensation	527,957	760,324	720,469
Transfer and filing fees	90,478	133,767	39,386
Travel and accommodation	120,257	132,127	85,231
Net loss before other items	(4,238,695)	(2,659,382)	(1,886,273)
Other items			
Interest income	415,493	295,962	74,784
Other income	9,264	-	-
Unproven mineral right interests written-off	-	-	(14,493)
Net loss for the year	(3,813,938)	(2,363,420)	(1,825,982)
Deficit - beginning of year	(6,725,909)	(4,362,489)	(2,536,507)
Deficit - end of year	\$(10,539,847)	\$ (6,725,909)	\$ (4,362,489)
Loss per share, basic and diluted <i>(note 2(g))</i>	\$ (0.08)	\$ (0.06)	\$ (0.06)
Weighted average number of shares outstanding	48,118,320	40,026,359	30,612,668

KIMBER RESOURCES INC.
Consolidated Statements of Cash Flows
(stated in Canadian dollars)

	Years ended June 30,		
	2007	2006 <i>(Note 2(n))</i>	2005 <i>(Note 2(n))</i>
Cash provided by (used for):			
Operating Activities			
Net loss for the year	\$ (3,813,938)	\$ (2,363,420)	\$ (1,825,982)
Items not involving cash:			
Amortization of equipment	28,819	38,406	24,034
Stock-based compensation	527,957	760,324	720,469
Unproven mineral right interests written-off	-	-	14,493
	<u>(3,257,162)</u>	<u>(1,564,690)</u>	<u>(1,066,986)</u>
Changes in the following:			
Amounts receivable	76,740	26,132	45,496
Due from related parties	-	16,702	3,000
Prepaid expenses	(10,409)	(6,603)	(9,262)
Accounts payable and accrued liabilities	332,760	19,750	(17,691)
Due to related parties	652,012	(465)	(1,002)
	<u>(2,206,059)</u>	<u>(1,509,174)</u>	<u>(1,046,445)</u>
Investing Activities			
Redemption of preferred shares	-	103,596	-
Purchase of equipment	(192,505)	(269,079)	(64,182)
Unproven mineral right interests	(10,908,759)	(10,151,030)	(5,873,935)
	<u>(11,101,264)</u>	<u>(10,316,513)</u>	<u>(5,938,117)</u>
Financing Activities			
Common shares issued for cash	3,645,012	24,048,306	8,339,517
Share issuance costs	(4,047)	(644,307)	(346,152)
	<u>3,640,965</u>	<u>23,403,999</u>	<u>7,993,365</u>
(Decrease)/Increase in cash during the year	(9,666,358)	11,578,312	1,008,803
Cash and cash equivalents - beginning of year	15,866,960	4,288,648	3,279,845
Cash and cash equivalents - end of year	<u>\$ 6,200,602</u>	<u>\$ 15,866,960</u>	<u>\$ 4,288,648</u>
Supplementary financial information			
Non-cash Financing activities			
Shares and securities issued for finder's fees	\$ -	\$ -	\$ 146,309*
Share issue costs	-	-	(146,309)
* includes \$86,309 fair value of agent's options			
Non-cash Investing activities			
Accounts receivable for unproven mineral interests	487,220	(569,102)	38,699
Accounts payable for unproven mineral interests	(1,091,637)	502,500	275,358
Amortization	122,803	64,062	45,289
	<u>\$ (481,614)</u>	<u>\$ (2,540)</u>	<u>\$ 359,346</u>
Cash and cash equivalents comprise of:			
Cash	1,303,133	799,808	1,289,297
Banker's acceptance notes	4,897,469	15,067,152	2,999,351
	<u>\$ 6,200,602</u>	<u>\$ 15,866,960</u>	<u>\$ 4,288,648</u>

See notes to the consolidated financial statements

KIMBER RESOURCES INC.

Consolidated Statements of Unproven Mineral Right Interests (note 2 & 3)
(stated in Canadian dollars)

	June 30, 2005	Net Costs	June 30, 2006	Net Costs	June 30, 2007
MEXICO					
Monterde Property					
Acquisition	\$ 1,496,346	\$ 742,262	\$ 2,238,608	\$ 499,437	\$ 2,738,045
Exploration					
Amortization	57,954	64,062	122,016	122,803	244,819
Assays	1,204,299	827,288	2,031,587	1,353,120	3,384,707
Drilling	3,644,609	4,600,027	8,244,636	3,272,194	11,516,830
Engineering	373,531	636,299	1,009,830	543,942	1,553,772
Environmental study	421,416	225,175	646,591	512,289	1,158,880
Field, office	288,669	108,015	396,684	155,200	551,884
Geological, geophysical	1,577,704	1,300,005	2,877,709	1,148,043	4,025,752
Legal	202,475	98,408	300,883	118,832	419,715
Maps, reports, reproductions	296,927	217,230	514,157	240,332	754,489
Metallurgy	217,132	50,360	267,492	327,678	595,170
Road and drill site maintenance	664,522	321,967	986,489	831,336	1,817,825
Salaries and wages	182,813	124,794	307,607	212,833	520,440
Scoping study	11,392	-	11,392	-	11,392
Socioeconomic studies	-	26,619	26,619	12,187	38,806
Stakeholder costs	22,040	20,235	42,275	7,910	50,185
Supplies	386,406	516,519	902,925	611,238	1,514,163
Travel, accommodation	504,208	267,047	771,255	377,602	1,148,857
Third party recoveries	(9,931)	-	(9,931)	-	(9,931)
	<u>10,046,166</u>	<u>9,404,050</u>	<u>19,450,216</u>	<u>9,847,539</u>	<u>29,297,755</u>
	<u>11,542,512</u>	<u>10,146,312</u>	<u>21,688,824</u>	<u>10,346,976</u>	<u>32,035,800</u>
Setago Property					
Acquisition	4,574	2,178	6,752	-	6,752
Exploration	54,244	-	54,244	-	54,244
	<u>58,818</u>	<u>2,178</u>	<u>60,996</u>	<u>-</u>	<u>60,996</u>
Pericones Property					
Acquisition	-	-	-	8,148	8,148
Exploration	-	-	-	72,021	72,021
	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,169</u>	<u>80,169</u>
Total unproven mineral right interests	<u>\$ 11,601,330</u>	<u>\$ 10,148,490</u>	<u>\$ 21,749,820</u>	<u>\$ 10,427,145</u>	<u>\$ 32,176,965</u>

See notes to consolidated financial statements

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2007, 2006 and 2005
(stated in Canadian dollars)

1. NATURE OF OPERATIONS

The Company is incorporated in British Columbia, Canada, and is involved in the acquisition and exploration of mineral right interests in Mexico. At the date of these financial statements, the Company has not yet determined whether any of its mineral rights contain economically recoverable mineral reserves. Accordingly, the carrying amount of deferred unproven mineral rights represents expenditures made to date and does not necessarily reflect present or future values. The recovery of these costs is dependent upon the discovery of economically recoverable mineral reserves and the ability of the Company to obtain the necessary financing to complete their exploration and development and to resolve any environmental, regulatory, or other constraints.

The Company has taken steps to verify title to its mineral right interests in accordance with industry standards for the current stage of exploration of these properties, however, these procedures do not guarantee that title to these rights may not be subject to unregistered prior agreements or other undetected defects.

The Company does not generate cash flow from operations and accordingly, the Company will need to raise additional funds through future issuance of securities. Although the Company has been successful in raising funds in the past, there can be no assurance the Company will be able to raise sufficient funds in the future, in which case the Company may be unable to meet its obligations as they come due in the normal course of business. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts on the balance sheet.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (GAAP) and are reconciled to U.S. GAAP in note 11.

The consolidated financial statements include the accounts of the Company, its principal wholly owned subsidiary, Minera Monterde S. de R.L de C.V. (Mexico) and two other recently activated subsidiaries, Minera Pericones S. A. de C.V. and Kimber Resources de Mexico S. A. de C.V. Intercompany balances and transactions are eliminated on consolidation.

b) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of expenses incurred during the reporting period. Significant areas requiring the use of management estimates relate to the determination of environmental obligations, stock compensation, impairment of deferred mineral right interests and amortization. Actual results could differ from those estimates.

c) Unproven Mineral Right Interests

Mineral right acquisition costs, exploration and direct field costs are deferred until the rights to which they relate are placed into production, at which time these deferred costs will be amortized over the estimated useful life of the rights following commencement of production, or written-off if the rights are disposed of. Administration costs and other exploration costs that do not relate to a specific mineral right are expensed as incurred.

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2007, 2006 and 2005
(stated in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Unproven Mineral Right Interests (continued)

Cost includes the cash consideration and the fair value of shares issued on the acquisition of mineral rights. Rights acquired under option agreements or joint ventures, whereby payments are made at the sole discretion of the Company, are recorded in the accounts when the payments are made. Proceeds from property option payments received by the Company are netted against the deferred costs of the related mineral rights, with any excess being included in operations.

Management reviews the carrying amounts of mineral rights on a periodic basis and will recognize impairment based upon current exploration results and upon assessment of the probability of profitable exploitation of the rights. Management's assessment of the mineral right's fair value is also based upon a review of other mineral right transactions that have occurred in the same geographic area as that of the rights under review.

d) Equipment

Equipment is carried at cost less accumulated amortization. Amortization is provided over the estimated useful life of the equipment using the declining balance method at an annual rate of 20% for office fixtures and equipment; 30% for computer equipment and automobiles; 100% for computer software and 10% for camp and equipment.

e) Translation of Foreign Currencies

The Company's wholly owned Mexican subsidiaries are integrated foreign operations and are translated into Canadian dollars using the temporal method. For the Company and its subsidiaries, the Company translates monetary items at the rate of exchange in effect at the balance sheet date. Non-monetary items are translated at average rates in effect during the period in which they are incurred. Expenses are translated at average rates in effect during the period except for amortization, which is translated using historical rates. Gains and losses resulting from the fluctuations in foreign exchange rates have been included in the determination of income (loss).

f) Investments

Investments are carried at cost and are classified as a non-current asset as the Company intends to hold them for a period greater than one year. A provision for impairment would be made if there were a loss in value that was believed to be other than temporary.

g) Loss Per Share

Basic earnings (loss) per share is computed based upon the weighted average number of common shares outstanding during the year. Fully diluted earnings per share is disclosed when the conversion, exercise or issuance of securities would have a dilutive effect on earnings per share. The Company has a loss per share and accordingly basic and fully diluted loss per share are the same.

h) Stock-Based Compensation

Stock-based compensation is accounted for at fair value as determined by the Black-Scholes option pricing model using amounts that are believed to approximate the volatility of the trading price of the Company's stock, the expected lives of awards of stock-based compensation, the fair value of the Company's stock and the risk-free interest rate. The estimated fair value of awards of stock-based compensation are charged to expense as awards vest, with offsetting amounts recognized as contributed surplus.

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2007, 2006 and 2005
(stated in Canadian dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

i) Income Taxes

Income tax liabilities and assets are recognized for the income tax consequences attributable to differences between their carrying amounts in the financial statements and their tax bases. The effect of a change in income tax rates on future income tax liabilities and assets is recognized in income in the period that the change occurs. Future income tax assets are recognized to the extent that they are considered more likely than not to be recognized. The Company has taken a valuation allowance against all of its potential tax assets.

j) Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized when a reasonable estimate of its fair value can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expenses using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and revisions to either timing or the amount of the original estimate of the undiscounted cash flow. As at June 30, 2007, the Company does not have any asset retirement obligations.

k) Impairment of Long-Lived Assets

Long-lived assets are assessed for impairment when events and circumstances warrant. The carrying value of a long-lived asset is impaired when the carrying amount exceeds the estimated undiscounted net cash flow from use and fair value. In that event, the amount by which the carrying value of an impaired long-lived asset exceeds its fair value is charged to earnings.

l) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities, the fair value of which approximates their carrying value due to the short term to maturity.

The Company carries on business operations in Mexico and is exposed to foreign exchange risk due to fluctuations in the relative values of the Canadian dollar, the Mexican nuevo peso and the United States dollar. The Company currently does not use any financial instruments to reduce this exposure.

m) Cash Equivalents

Banker's acceptances maturing within 90 days of the original date of acquisition are considered to be cash equivalents.

n) Comparative figures

Certain 2006 and 2005 figures have been reclassified to conform to the presentation used in the current year.

3. UNPROVEN MINERAL RIGHT INTERESTS

The Company's mineral rights are located in the States of Chihuahua and Estado de Mexico, Mexico.

Monterde Property

The Monterde Property consists of the Monterde concessions, the contiguous El Coronel concessions and staked concessions. The entire Monterde Property is comprised of 34 mineral concessions in the Sierra Madre in the State of Chihuahua, Mexico.

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2007, 2006 and 2005
(stated in Canadian dollars)

3. UNPROVEN MINERAL RIGHT INTERESTS *(continued)*

Monterde concessions

The Company owns a 100% interest in the Monterde concessions having acquired the concessions by payment of total consideration of US\$1,054,900.

El Coronel concessions

The Company owns a 100% interest in the El Coronel mineral concessions by having made total payments of US\$1,000,000.

Staked concessions

The Company has a 100% interest in concessions that were staked adjacent to the Monterde concessions and El Coronel concessions. There are no payment obligations for these staked concessions aside from annual taxes.

Setago Property

The Company staked the Setago Property in 2004, which lies approximately 24 kilometres to the west of the Monterde Property and consists of one concession. Two additional concessions have been staked and applications for title are pending. The property requires no payments, other than for annual taxes.

Pericones Property

The Company, through its wholly-owned Mexican subsidiary, Minera Pericones S. A. de C.V. (Mexico), has acquired a property, approximately 6300 hectares in size in Estado de Mexico. The property ("Pericones") covers at least two areas which are prospective for bulk tonnage silver deposits. Only limited work was carried out on the Pericones property during the year.

4. AMOUNTS RECEIVABLE

Amounts receivable at June 30, 2007 are comprised mainly of an IVA TAX refundable from the Government of Mexico. The IVA Tax is 15% of expenditures in Mexico and amounts due were \$374,501 at June 30, 2007 (2006 - \$862,803).

5. EQUIPMENT

	2007		
	Cost	Accumulated Amortization	Net value
	\$	\$	\$
Camp and equipment	466,671	101,626	365,045
Camp vehicles	223,970	79,828	144,142
Computer equipment	142,828	64,794	78,034
Computer software	54,408	44,914	9,494
Office fixtures and equipment	63,607	16,092	47,515
	951,484	307,254	644,230

KIMBER RESOURCES INC.
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5. EQUIPMENT *(continued)*

	2006		Net value
	Cost	Accumulated Amortization	
	\$	\$	\$
Camp and equipment	377,708	67,838	309,870
Camp vehicles	221,010	48,079	172,931
Computer equipment	126,776	48,600	78,176
Computer software	49,053	32,129	16,924
Office fixtures and equipment	36,216	10,770	25,446
	<u>810,763</u>	<u>207,416</u>	<u>603,347</u>

6. SEGMENTED INFORMATION

	2007	2006	2005
Assets by geographic segment, at cost			
Canada			
Current	\$ 5,850,929	\$ 15,613,404	\$ 3,855,613
Equipment	77,665	77,503	90,339
Investment	-	-	103,596
	<u>5,928,594</u>	<u>15,690,907</u>	<u>4,049,548</u>
Mexico			
Current	836,400	1,293,834	940,442
Equipment	566,565	525,844	346,397
Unproven mineral right interests	32,176,965	21,749,820	11,601,330
	<u>33,579,930</u>	<u>23,569,498</u>	<u>12,888,169</u>
	<u>\$ 39,508,524</u>	<u>\$ 39,260,405</u>	<u>\$ 16,937,717</u>

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
For the Years Ended June 30, 2007, 2006 and 2005
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7. SHARE CAPITAL AND RELATED INFORMATION

a) **Authorized:** 80,000,000 common shares without par value

b) **Issued and outstanding:**

	<u>Number of Shares</u>	<u>Amount</u>
Balance - June 30, 2004	27,401,540	\$ 11,126,010
Private placements	4,600,324	7,065,002
Exercise of options	233,217	155,200
Exercise of warrants	1,497,747	1,119,315
Less share issue costs	-	(346,152)
Less stock-based-compensation	-	(86,309)
	<u>6,331,288</u>	<u>7,907,056</u>
Balance – June 30, 2005	<u>33,732,828</u>	<u>19,033,066</u>
Private placements	10,380,832	19,095,038
Exercise of options	549,570	540,218
Exercise of warrants	2,451,692	4,413,050
Less share issue costs	-	(644,307)
Reallocation from contributed surplus on exercise of options	-	329,877
	<u>13,382,094</u>	<u>23,733,876</u>
Balance – June 30, 2006	<u>47,114,922</u>	<u>42,766,942</u>
Exercise of options	742,032	825,013
Exercise of warrants	1,566,666	2,819,999
Less share issue costs	-	(4,047)
Reallocation from contributed surplus on exercise of options	-	354,425
Balance – June 30, 2007	<u>49,423,620</u>	<u>\$ 46,762,332</u>

c) **Warrants**

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Balance - beginning of year	1,566,666	2,355,712	1,489,797
Issued	-	1,666,666	2,363,662
Expired	-	(4,020)	-
Exercised	<u>(1,566,666)</u>	<u>(2,451,692)</u>	<u>(1,497,747)</u>
Balance - end of year	<u>-</u>	<u>1,566,666</u>	<u>2,355,712</u>

At June 30, 2007, nil warrants are outstanding.

d) **Stock Options**

The Company's stock option plan allowed the Company to grant up to 5,294,613 stock options, exercisable at the market price as determined on the last trading date preceding their grant, and vesting as to 1/3 of their number on the date of their grant and then 1/3 at the end of each nine month period thereafter. As at June 30, 2007, 938,381 options were available to be granted under the Plan.

KIMBER RESOURCES INC.
Notes to Consolidated Financial Statements
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7. SHARE CAPITAL AND RELATED INFORMATION (continued)

d) Stock Options (continued)

Summary of stock option activity:

	2007		2006	
	Options Outstanding	Weighted average exercise price	Options Outstanding	Weighted average exercise price
Balance, beginning of year	3,402,800	\$ 1.21	3,435,450	\$ 1.11
Granted	1,125,000	2.24	527,000	1.64
Exercised	(742,032)	1.11	(549,570)	1.26
Forfeited/expired	(1,090,768)	1.23	(10,080)	1.80
Balance, end of year	2,695,000	\$ 1.66	3,402,800	\$ 1.21

Stock options outstanding and exercisable at June 30, 2007 are as follows:

Exercise price	Number outstanding	Number exercisable	Expiry date
\$			
0.45	450,000	450,000	July 2007 – October 2007
0.73	330,000	330,000	August 2008
2.05	75,000	75,000	January 2009
2.14	495,000	495,000	October 2009
1.80	25,000	25,000	December 2009
1.65	245,000	245,000	September 2010
1.50	50,000	50,000	December 2010
2.40	150,000	100,000	July 2011
2.59	225,000	75,000	November 2011
2.67	100,000	33,333	December 2011
1.95	550,000	183,333	April 2012
	2,695,000	2,061,666	

e) Private Placements

On February 10, 2005, the Company announced a non-brokered private placement of securities with three places including a one-year, 5% convertible debenture of \$2,000,000 to be issued to a director. Subsequently, the private placement units were over-subscribed and the convertible debenture with the director was not completed. On February 22, 2005 the Company closed a non-brokered private placement of 3,290,324 units to raise gross proceeds of \$5,100,002 with four investment funds. All of the units were issued at a price of \$1.55 per unit and each unit consists of one common share and one-half of a non-transferable share purchase warrant, with one whole warrant entitling the holder to purchase one additional common share at \$1.80 until March 8, 2006. Two of the funds each purchased 1 million units. In addition, two other funds each purchased 645,162 units. A finder's fee of \$31,000 was paid to an investment brokerage firm in respect of 1 million units.

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7. SHARE CAPITAL AND RELATED INFORMATION *(continued)*

e) Private Placements *(continued)*

On August 26, 2005, the Company closed a non-brokered private placement for 3,333,332 units at \$1.50 per unit. Each unit consists of one common share and half of one non-transferable share purchase warrant. One whole warrant entitles the holder to purchase an additional common share at a price of \$1.80 until February 26, 2007. There was a finder's fee of \$40,000 paid on behalf of one of the placees.

On March 1, 2006 the Company closed brokered and non-brokered private placements of a total of 7,047,500 common shares at a price of \$2.00 for gross proceeds of \$14,095,000. Puplava Securities Inc. ("PSI") of San Diego, California acted as agent for the brokered private placement and Dr. Leanne Baker, a Director of the Company and Managing Director of Investor Resources LLC, acted as a consultant in the United States. The Company paid cash commissions of 5.5% on the brokered placements. Mr. James Puplava, a Director and major shareholder of the Company, and a principal of PSI, did not acquire shares through the placement (see Note 9). The non-brokered private placement was to institutional and accredited investors in Canada and offshore. Blackmont Capital Inc., Canaccord Capital Corp., and PSI received finder's fees of 5.5% of the proceeds raised on certain placements. The total commissions and finder's fees paid on the both brokered and non-brokered placements was \$428,725. No warrants were issued to investors or agents in connection with the offering.

8. CONTRIBUTED SURPLUS AND STOCK-BASED COMPENSATION

The fair value of stock options granted are estimated using the Black-Scholes option pricing model with the following assumptions:

	2007	2006	2005
Risk-free interest rate	3.9 – 4.2	3.2 – 3.3	3.1 - 3.6
Estimated share price volatility	57 - 64%	41 - 45%	59 - 62%
Expected life	1.5 - 5 years	1.5 - 5 years	1.5 - 5 years

Option pricing models require the use of estimates and assumptions including the expected volatility. Changes in these underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Contributed Surplus

Stock-based compensation has been recognized in Contributed Surplus for the following grants:

Balance and expense at June 30, 2004	\$ 559,628
Options granted to employees and consultants	720,469
Options granted to agent for private placement	86,309
Expense - June 30, 2005	<u>806,778</u>
Balance - June 30, 2005	<u>1,366,406</u>
Options granted to employees and consultants	760,324
Options granted to agent for private placement	-
Expense - June 30, 2006	<u>760,324</u>
Share options exercised, transfer to share capital	<u>(329,877)</u>
Balance - June 30, 2006	1,796,853
Options granted to employees and consultants	527,957
Share options exercised, transfer to share capital	<u>(354,425)</u>
Balance - June 30, 2007	<u><u>\$ 1,970,385</u></u>

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8. CONTRIBUTED SURPLUS AND STOCK-BASED COMPENSATION *(continued)*

For stock options granted and not vested, compensation expense is recognizable in future periods as follows:

June 30, 2008	\$ 446,224
June 30, 2009	<u>143,241</u>
	<u>\$ 589,465</u>

9. RELATED PARTY TRANSACTIONS

Unless otherwise stated, related party transactions are measured at the exchange amount, being the amount of consideration established and agreed to by the related parties. Amounts due to or from related parties are unsecured, non-interest bearing and are due on demand.

a) By Settlement Agreements dated April 26, 2007 the Company settled any claims which Robert V. Longe, 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. All of the \$339,657 due has been accrued at year end.

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 June 30, 2007, the balance of this commitment to Mr. Hoole is \$312,355. In addition, Mr Hoole is being paid at the rate of \$1,000/day for each day worked for the Company. All of the \$312,355 due has been accrued at year end.

b) During the year ended June 30, 2007, fees and expense disbursements of \$191,685 were paid to J.B. Engineering Ltd (2006 - \$173,244). An officer of the Company is a principal of J.B. Engineering Ltd.

c) During 2006, commissions of \$234,850 were paid to Puplava Securities Inc. ("PSI"). A director of the Company is a principal at PSI.

10. INCOME TAXES

Future income tax assets and liabilities of the Company as at June 30, 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Future income tax assets		
Losses carried forward	\$ 10,029,000	\$ 3,911,000
Share issue costs	185,000	315,000
Other	<u>26,000</u>	<u>31,000</u>
	10,240,000	4,257,000
Valuation allowance	<u>(10,240,000)</u>	<u>(4,257,000)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

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10. INCOME TAXES *(continued)*

The recovery of income taxes shown in the consolidated statements of operations and deficit differs from the amounts obtained by applying statutory rates to the loss before provision for income taxes due to the following:

	2007	2006
Income tax rate reconciliation		
Combined federal and provincial income tax rate	34.12%	34.12%
Expected income tax recovery	\$ (1,198,000)	\$ (761,000)
Share issue costs	(118,000)	(115,000)
Other	180,000	259,000
Unrecognized benefit of income tax losses	1,136,000	617,000
Actual income tax recovery	\$ -	\$ -

At June 30, 2007, the Company has non-capital losses of approximately \$8,620,000 in Canada (which expire between 2008 and 2027) and \$21,472,000 in Mexico available to reduce taxable income earned during future years. The potential future tax benefits relating to these amounts have not been reflected in the financial statements as their utilization is currently not considered likely.

11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)

Under Canadian GAAP mineral exploration expenditures can be deferred on prospective mineral rights until such time as it is determined that further exploration work is not warranted, at which time the mineral right costs are written-off. Under U.S. GAAP, all exploration expenditures are expensed until an independent feasibility study has determined that the mineral rights are capable of economic commercial production.

For U.S. GAAP purposes, the Company has adopted the provisions of EITF 04-2, "Whether Mineral Rights are Tangible or Intangible Assets" and FSP FAS 141-1 and 142-1 which concludes that mineral rights are tangible assets. The effect of adopting EITF 04-2 is reduction of previously reported loss and loss per share for fiscal 2006 and 2005 by \$744,440 and \$519,732 and \$0.02 and \$0.02, respectively. In addition, total assets are increased by \$2,245,360 and shareholders' deficiency is decreased by \$2,245,360 as at June 30, 2006. For 2005, total assets are increased by \$1,500,920 and shareholders' deficiency is decreased by \$1,500,920.

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

i) The following items (a) to (e) provide a summary of the adjustments required to reconcile Canadian GAAP to U.S. GAAP.

	For the years ended		
	2007	2006	2005
a) Assets			
Unproven Mineral Right Interests			
Unproven Mineral Right Interests – Canadian GAAP	\$ 32,176,965	\$ 21,749,820	\$ 11,601,330
Less Unproven Mineral Right Interests	<u>(29,424,020)</u>	<u>(19,504,460)</u>	<u>(10,100,410)</u>
Unproven Mineral Right Interests - U.S. GAAP	<u>2,752,945</u>	<u>2,245,360</u>	<u>1,500,920</u>
b) Operations			
Net loss - Canadian GAAP	(3,813,938)	(2,363,420)	(1,825,982)
Unproven Mineral Right Interests expensed under U.S. GAAP	<u>(9,919,560)</u>	<u>(9,404,050)</u>	<u>(5,699,587)</u>
Net loss - U.S. GAAP	<u>(13,733,498)</u>	<u>(11,767,470)</u>	<u>(7,525,569)</u>
Net loss per share - U.S. GAAP	<u>0.29</u>	<u>0.29</u>	<u>0.25</u>
c) Deficit			
Closing deficit - Canadian GAAP	(10,539,847)	(6,725,909)	(4,362,489)
Adjustment to deficit for accumulated Unproven Mineral Right Interests expensed under U.S. GAAP	<u>(29,424,020)</u>	<u>(19,504,460)</u>	<u>(10,100,410)</u>
Closing deficit - U.S. GAAP	<u>(39,963,867)</u>	<u>(26,230,369)</u>	<u>(14,462,899)</u>
d) Cash Flows – Operating Activities			
Cash applied to operations - Canadian GAAP	(2,206,059)	(1,509,174)	(1,046,445)
Add net loss - Canadian GAAP	3,813,938	2,363,420	1,825,982
Less net loss - U.S. GAAP	<u>(13,733,498)</u>	<u>(11,767,470)</u>	<u>(7,525,569)</u>
Cash applied to operations - U.S. GAAP	<u>(12,125,619)</u>	<u>(10,913,224)</u>	<u>(6,746,032)</u>
e) Cash Flows – Investing Activities			
Cash applied - Canadian GAAP	(11,101,264)	(10,316,513)	(5,938,117)
Add Unproven Mineral Right Interests expensed - U.S. GAAP	<u>9,919,560</u>	<u>9,404,050</u>	<u>5,699,587</u>
Cash applied under U.S. GAAP	<u>\$ (1,181,704)</u>	<u>\$ (912,463)</u>	<u>\$ (238,530)</u>

ii) The functional currency is Canadian dollars.

iii) Recent Accounting pronouncements:

The Financial Accounting Standards Board (“FASB”) has issued Statement of Financial Accounting Standards (“SFAS”) 157, “Fair Value Measurements” (“SFAS 157”), which defines fair value, establishes a framework for consistently measuring fair value under GAAP and expands disclosures about fair value pronouncements. SFAS 157 is effective beginning November 15, 2007, and the provisions of SFAS 157 will be applied prospectively as of that date. The adoption of SFAS 157 is not expected to have an effect on the Company’s financial position.

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11. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) (continued)

iii) Recent Accounting pronouncements:

The FASB has also issued FAS interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FAS Interpretation No. 109, "Accounting for Income Taxes". FIN 48 prescribes a recognition threshold and measurement attributable for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transitions. FIN 48 is effective for fiscal years beginning after December 15, 2006. The adoption of FIN 48 is not expected to have an effect on the Company's financial position.

12. SUBSEQUENT EVENTS

- a) Since the year end of June 30, 2007, 425,000 common shares have been issued upon exercise of stock options for total proceeds of \$191,250.
- b) During the month of July 2007 a severe storm caused erosion of some roads and drill pads on the Monterde property. Approximately \$150,000 is scheduled for remediation, most of it to be spent during the last calendar quarter of 2007.
- c) Subsequent to the year end of the Company there have been proposed changes to the Mexican tax regulations which may have an impact on the future tax rate and overall tax regime applicable to the Mexican subsidiaries.

13. COMMITMENT

Operating Lease

The Company leases its premises in Vancouver under an operating lease which expires in the fiscal year ending June 30, 2011. The Company is obligated to make the following basic rent payments under its operating lease in each of the fiscal years ending:

June 30, 2008	\$ 85,163
June 30, 2009	85,163
June 30, 2010	87,872
June 30, 2011	<u>53,500</u>
	<u>\$ 311,698</u>

In addition, under the lease the Company has the obligation to pay its proportionate share of operating costs and taxes for the building.

14. CONTINGENT LIABILITY

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 the subsidiary. \$89,401 was paid in December 2006 to the Mexican authorities in respect of this matter. The Company does not believe that there will be any further legal liability in relation to this incident but has not yet received formal releases from all potential claimants.