

Ms Tonia Oliveira
Australian Securities Exchange
Level 7
Exchange Plaza
Perth
WA 6000

12 May 2011

Dear Ms Oliveira

CORPORATE GOVERNANCE STATEMENT

The Company has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board ('the Policies'). The aim of the Policies are to ensure that the Company is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

In preparing the Policies, the Directors considered the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ('ASX Principles') which Companies are required to report against in their first financial year commencing on or after 1 January 2008.

The Directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, the structure of the Board, its resources and its proposed activities.

The Board has adopted the following policies, statement, charters, policies and procedures:

- Board Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Code of Conduct
- Trading in Company Securities
- Risk Management Policy
- Shareholder Communication Strategy
- Continuous Disclosure Policy

The Company's corporate governance policies will be available on the Company's website at WWW.KIMBERLEYRAREEARTHS.COM.AU

A summary of the extent to which each Principle and Recommendation has been adopted is attached

	ASX Principle	Company Comments
1	Lay solid foundations for management and oversight	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	The Board has adopted a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Chief Executive Officer. The Board Charter also specifically outlines the role of the Company's non-executive directors.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	The Board will monitor the performance of senior management, including measuring actual performance against planned performance. Each senior executive will be required to participate in a formal review process which assesses individual performance against predetermined objectives.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	The Board Charter, which is available on the Company's website, discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the CEO. The Board Charter also specifically outlines the role of the Company's non-executive directors.
2.	Structure the Board to add value	
2.1	A majority of the Board should be independent directors.	<p>Three of the Company's four directors are officers of Navigator Resources Limited, the current owner of the Cummins Range Project and, subject to the in specie distribution, 30% of the Company's share capital following the successful completion of the IPO.</p> <p>The Company is in effect the spin-off of Navigator's Cummins Range Project, and to maintain continuity it was considered desirable to appoint Navigator's officers to effect the spin-off and initial public offer of the Company. Additional and/ or replacement directors may be appointed should a need arise.</p> <p>Details of each director's background including experience, knowledge and skills and their status as independent or non-independent director are set out in the Prospectus. Whilst the number of independent directors is not in the majority, the expertise, experience and size of the whole of the Board is appropriate for the Company.</p>
2.2	The chair should be an independent director.	<p>Mr Ian Macpherson is the current Non-Executive Chairman and is also deputy chairman of Navigator Resources Limited. and is therefore not considered to be an independent director.</p> <p>To maintain continuity, it was considered desirable to appoint Mr Macpherson to effect the spin-off and initial public offer of the Company.</p>
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	<p>The roles of the chair and chief executive officer are not exercised by the same individual.</p> <p>The Company is in the process of appointing a chief executive officer who will be a different person to the Chairman.</p>
2.4	The Board should establish a	The Company does not currently have a separately

	nomination committee.	<p>established nomination committee although a Nomination Committee Charter has been adopted by the Board.</p> <p>Given the current size of the Board, the Board considers that the objectives set out in the Nomination Committee Charter can be efficiently achieved by the full Board operating within the guidelines set out in the Board Charter.</p>
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	The Board will conduct an annual internal review of its performance of the Board and its directors, both collectively and individually in the form of a survey led by the Chairman or by utilising external advisers where appropriate.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	<p>A description of the skills and experience of each of the current Directors is contained in the Prospectus.</p> <p>One of the three members of the current board (Mr Peter Rowe) is considered to be an independent director in accordance with the definition of an independent director as contained in the Corporate Governance Principles.</p> <p>The Board, or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the chairman.</p> <p>The Board, as a whole, will serve as the Company's nomination committee.</p> <p>The Board will determine the procedure for the selection and appointment of new directors and the re-election of incumbents having regard to the ability of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.</p> <p>The policy for the appointment of new directors is set out on the Company's website.</p>
3.	Promote ethical and responsible decision making	
3.1	<p>Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> -the practices necessary to maintain confidence in the company's integrity -the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders 	<p>The Company has adopted a Code of Conduct which provides a framework for decisions and actions in relation to ethical conduct in employment.</p> <p>The Code of Conduct is set out on the Company's website.</p>

	- the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	<p>The Company is currently not in compliance with this recommendation.</p> <p>The Company does not currently have a separate policy specifically addressing achieving diversity. Due to the current size of the Board and expected workforce, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future.</p> <p>The Company has adopted a code of conduct, which provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.</p>
3.3	Companies should disclose in each annual report the measureable objectives for achieving set by the board in accordance with the diversity policy and progress in achieving them.	The Company has not yet set the measurable objectives however these will be considered by the Board and disclosed in the annual report. In addition, the Board will review progress against any objectives identified on an annual basis.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	The Company's annual report will include the proportion of woman employees within the organisation as well as senior positions within the Company.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3.	<p>The Board will include in the Annual Report each year:</p> <ul style="list-style-type: none"> - measurable objectives, if any, set by the Board - progress against those objectives; and - the proportion of women employees in the whole organisation, at senior management level and at Board level.
4.	Safeguard integrity in financial reporting	
4.1	The Board should establish an audit committee	Given that the Board comprises four Directors, it has been decided that there are no efficiencies to be gained from forming a separate audit committee. The current Board, (which does not consist only of non-executive Directors) carry out the roles that would otherwise be undertaken by a separate audit committee in accordance with the Audit Committee Charter.
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> - consists only of non-executive directors - consists of a majority of independent directors - is chaired by an independent chair, who is not chair of the board 	Refer 4.1 above.

	- has at least three members.	
4.3	The audit committee should have a formal charter.	To assist the board in completing the audit committee function, the Company has adopted a formal charter for the audit committee.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	When the Company has grown to a sufficient size to warrant it, the Board will establish an audit and risk committee to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance. The Audit Committee charter and the information and procedures for the selection and appointment of the external auditor and for the rotation of the external audit engagement partner will be set out on the Company's website.
5.	Make timely and balanced disclosure	
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	The Company has a continuous disclosure program in place designed to ensure compliance with ASX Listing Rule continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.
5.2	Companies should provide the information indicated in Guide to Reporting on Principle 5.	The continuous disclosure policy of the Company is set out in the on the Company's website.
6	Respect the rights of shareholders	
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	The Company has adopted a shareholder communications policy, which aims to promote effective communication with shareholders and ensure that shareholders are informed of all major developments affecting the Company's state of affairs.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The shareholder communication policy of the Company is set out on the Company's website.
7	Recognise and manage risk	
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	The Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Company has established policies for the oversight and management of material business risks. The risk management policy of the Company is set out on the Company's website.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed	The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required to assess risk management and associated internal compliance and control procedures. Management will be responsible for ensuring the process for managing risks is integrated within business planning and management activities.

	effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Reports on risk management are to be provided to the Board by Management or the managing director, whoever is responsible for the management of the individual risk. The Board will require Management along with the Managing Director to implement risk management and internal control systems and provide a report at the relevant time.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Reports on risk management are to be provided to the Board by Management or the Managing Director, whoever is responsible for the management of the individual risk. The Board will seek the relevant assurance from Management and the Managing Director (or their equivalents) at the relevant time.
7.4	Companies should provide the information indicated in Guide to Reporting on Principle 7.	Reports on risk management are to be provided to the Board by Management or the Managing Director responsible for the management of the individual risk. The Board will ensure that Management provides the assurance under Recommendation 7.2 in future years. The Board will ensure that Management provides the assurance under Recommendation 7.3 in future years.
8	Remunerate fairly and responsibly	
8.1	The Board should establish a remuneration committee	Given the current size of the Board, the Board considers that the objectives set out in the Remuneration Committee Charter can be efficiently achieved by the full Board operating within the guidelines set out in the Board Charter.
8.2	The remuneration committee should be structured so that it: <ul style="list-style-type: none"> - consists of a majority of independent directors - is chaired by an independent director - has at least three members 	Refer 8.1 above
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non executive director's remuneration from that of executive directors and senior executives. The Company's Constitution also provides that the remuneration of non executive Directors will not be more than the aggregate fixed sum determined by shareholders in general meeting.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	When the Company has grown to a sufficient size to warrant it, the Board will establish a remuneration committee for the purposes of reviewing and approving the executive remuneration policy. The remuneration committee shall comprise at least three directors, with a majority of those directors being independent non-executive directors. As at the date of this statement, there are no schemes for retirement benefits for non-executive Directors.

		The Remuneration Committee Charter is on the Company's website.
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In relation to the above, the Directors believe that, notwithstanding the Company's departures from the ASX Principles 2.1, 2.2 2.4, 3.2, 4.1, 4.2 and 8.1, the Board has implemented suitable practices and procedures with respect to corporate governance, considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company.

Yours sincerely



Darren Crawte
Company Secretary