

ASX:KRE

Kimberley Rare Earths Limited
ABN 20 147 678 779

Directors

Ian Macpherson – Chairman & NED
Tim Dobson – Managing Director
Allan Trench – NED
Gerry Kaczmarek – NED

Management

Tim Dobson – Managing Director
Geoff Collis – GM Exploration
Darren Crawte – Company Secretary

Principal Place of Business

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Website

www.kimberleyrareearths.com.au

Capital Structure

126.6m shares
6.0m 25c, 2014 unlisted options
2.5m 30c, 2014 unlisted options
0.75m 30c, 2015 unlisted options

Cash at 30 November 2011

\$14.3 million

Market Cap at 30 November 2011

\$12.7 million

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9 December 2011

COMPLETION OF DUE DILIGENCE AND
ACQUISITION OF 40% OF MALILONGUE
HREO PROJECT

KEY POINTS

- Legal due diligence completed on the Malilongue (Mozambique) heavy rare earths project.
- Acquisition of 40% interest¹ in the project.
- Right to earn up to 90% interest¹.
- Exploration activities to commence immediately.

The Board of KRE is pleased to announce that all conditions precedent under the Heads of Agreement with Great Western Mining Lda (GWM) have now been met. As a consequence, the Company has exercised its option to farm into the non-gemstone rights held over two tenements comprising the Malilongue project in north-west Mozambique.



Malilongue is a pegmatite hosted rare earths project with significant exploration potential, including for xenotime-hosted heavy rare earth oxides (HREO) including yttrium, dysprosium and erbium.

¹ KRE mineral rights in the Malilongue project do not include gemstones.

HEADS OF AGREEMENT WITH GREAT WESTERN MINING (GWM)

On 29 September 2011 the Company announced that it has entered into a Heads of Agreement (HOA) with GWM, a gemstone mining company incorporated in Mozambique, that sets out the terms of a farm-in Joint Venture (JV) in which KRE can earn up to 90% interest² in the Malilongue project located in north-west Mozambique.

Following the satisfactory completion of due diligence, KRE has exercised its option under the HOA to acquire an initial 40% interest² in the project by:

- Making a further cash payment to GWM of \$250,000 (taking total payments to \$300,000);
- Issuing 1,000,000 ordinary KRE shares (issued at the 5 day VWAP prior to the execution date). The shares will be held under voluntary escrow for a period of 6 months; and
- Issuing 750,000 KRE options exercisable at 30 cents each on or before 4 years from the vesting date. The vesting date is 6 months after the date of issue.

KRE now has the right to earn up to a further 50% to take its interest² to 90% through the following farm-in steps:

- 15% (to 55%) by sole funding \$1,000,000 on the project within two years (Second Farm-In Date);
- 25% (to 80%) by sole funding expenditure of \$3,000,000 within a further three years (Third Farm-In Date); and
- A further 10% (to 90%) by sole funding expenditure to the point of production.

When KRE reaches 90% ownership of the project, GWM can elect to transfer its residual interest to KRE and revert to a 2% net smelter royalty (NSR).

PROJECT SUMMARY

The Malilongue Project is located in western Mozambique around 300km west of the regional mining centre of Tete. The project comprises two tenements, Mining Concession 1133C and Prospecting License 1583L. Access to the project site is good, and grid hydroelectric power and mobile phone coverage are located only 50km to the east. GWM has established considerable infrastructure within the mining concession including a secure office/accommodation/workshop associated with their gemstone operation.

The Malilongue REO pegmatite swarm incorporates over 40 individual pegmatite dykes and sills located within, and marginal to, the Malilongue Granite. This granitic intrusive is roughly circular with a diameter of over 9km and has been intruded into gneissic terrain associated with the East African Rift system.

² KRE mineral rights in the Malilongue project do not include gemstones.

No systematic exploration for REO mineralisation has been undertaken in the area. As previously announced to the ASX on 29 September 2011, bulk sampling of the alluvials has occurred and selected grab samples of pegmatite material have assayed over 20% TREO. Further, jig concentrates from 38 separate pits located throughout the pegmatite field averaged over 1,000ppm TREO with 55% being LREO, 25% HREO and 20% yttrium oxide.

A sample extracted from the eluvial beds was subjected to mineralogical examination by scanning electron microscope and found to comprise major xenotime and minor monazite and zircon. In addition to yttrium, the xenotime shows appreciable dysprosium and erbium.

PLANNED EXPLORATION ACTIVITIES

Exploration activities will commence immediately with the re-processing of geophysical and Landsat data to define suitable exploration targets for follow-up. Weather permitting, field activities including geological mapping, rock chip sampling and stream sediment sampling will commence during the first quarter of 2012.

MINING IN MOZAMBIQUE

Mozambique has a robust and modern Mining Act that was introduced some 8 years ago, and the government is actively encouraging the sustainable development of its vast and emerging resources sector.

These developments have attracted the likes of Vale, who commissioned their Moatize Coal Processing Plant near Tete in July this year. Rio Tinto has also commenced large scale coal operations near Tete through their acquisition of Riversdale this year.

About Kimberley Rare Earths

Kimberley Rare Earths Limited is a specialist rare earths company and listed on the Australian Securities Exchange (ASX:KRE) on 18 May 2011, having raised \$18.2m under an oversubscribed Initial Public Offering.

KRE holds a 25% interest in the Cummins Range Project in Western Australia. KRE has the right to earn up to 80% of the project by funding exploration and development through to delivery of a bankable feasibility study. KRE's first target is to spend \$10m within four years to increase its interest to 55%. The Cummins Range project comprises 1 granted exploration license (80/2232) in the East Kimberley within which is contained a JORC compliant Inferred Resource of 4.17 Mt at 1.72% TREO (total rare earth oxide), 11.0% P2O5 and 187 ppm U3O8 (using a 1% TREO cut off). The Cummins Range project is one of only a few Australian rare earths projects with a Resource reported under the JORC Code.

KRE has also signed a Heads of Agreement to earn up to a 90% interest in a pegmatite-hosted rare earth project in Mozambique with significant exploration potential, including for xenotime-hosted yttrium, dysprosium and erbium.

Competent Person Statement

Information in this ASX release that relates to exploration or exploration results is based on information compiled by Mr. Geoff Collis, who is a member of the Australasian Institute of Mining and Metallurgy and has sufficient exploration experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Mr Collis consents to the inclusion of these estimates in the form and context in which they appear.

Information in this ASX release that relates to Mineral Resources is based on a resource estimate at Cummins Range performed by Dr Phillip Hellman FAIG, who is a Director of Hellman and Schofield Pty Ltd and who has had sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activities which are being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australian Code for Reporting of Mineral Resources and Ore Reserves". Dr Phillip Hellman consents to the inclusion of these estimates in the form and context in which they appear.

Glossary

Aeromagnetic	Airborne geophysical technique where the intensity of the earth's magnetic field is measured in a systematic way.
Alluvium	Loose unconsolidated soil or sediment eroded and deposited by water.
Carbonatites	Intrusive igneous rocks with a composition of greater than 50% carbonate minerals.
Diamond Drilling	(or Core Drilling) A drilling technique which uses a diamond-set drill bit to produce a cylindrical core of rock.
Eluvium	Loose unconsolidated soil or sediment deposited under gravitational weathering and accumulation processes.
Gemstones	In the Heads of Agreement signed with GWM covering farm-in rights to the Malilongue heavy rare earths project in Mozambique, gemstones is defined as topaz, aqua-marine and amazonite.
HREO	Heavy rare earth oxides. The oxides of the 9 heavy rare earth elements Europium (Eu), Gadolinium (Gd), Terbium (Tb), Dysprosium (Dy), Holmium (Ho), Erbium (Er), Thulium (Tm), Ytterbium (Yb), Lutetium (Lu) plus Yttrium (Y).
LREO	Light rare earth oxides. The oxides of the 5 light rare earth elements; Lanthanum (La), Cerium (Ce), Praseodymium (Pr), Neodymium (Nd), Samarium (Sm). Note, excludes Promethium (Pm) due to its transient (radioactive) nature.
Pegmatite	A very coarse grained igneous intrusive rock composed predominantly of quartz, feldspar and mica.
Pipe	Cylindrical intrusion of younger igneous rocks into an older geological terrain.
ppm	Parts per million by weight (10,000ppm equals 1.00%).
Pyroxenite	Ultramafic igneous rock comprising predominantly minerals of the pyroxene group.
RAB	Rotary air blast, a cost-effective drilling technique used to sample weathered rock.
RC	Reverse circulation, a drilling technique that is used to return uncontaminated pulverised rock samples through a central annulus inside the drill pipes. RC samples can be used in industry-standard Mineral Resource statements.
REO	The oxides of the 14 rare earth elements; Lanthanum (La), Cerium (Ce), Praseodymium (Pr), Neodymium (Nd), Samarium (Sm), Europium (Eu), Gadolinium (Gd), Terbium (Tb), Dysprosium (Dy), Holmium (Ho), Erbium (Er), Thulium (Tm), Ytterbium (Yb), Lutetium (Lu) plus Yttrium (Y) but excluding Promethium (Pm).
TREO	The sum total of the 14 rare earth oxides, Lanthanum to Lutetium plus Yttrium as defined above under REO .
Xenotime	A rare earth phosphate mineral comprising predominantly yttrium phosphate (YPO ₄). Dysprosium, erbium and terbium can substitute for yttrium.