

Quarterly Activities Report and Appendix 5B

kre
 KIMBERLEY
 RARE
 EARTHS

Kimberley Rare Earths Ltd
ABN 20 147 678 779

Directors
Ian Macpherson - Chair and
NED
Allan Trench – NED
Gerry Kaczmarek – NED
Peter Rowe – NED

Management
Tim Dobson – CEO
Geoff Collis – GM- Exploration
Darren Crawte – Company
Secretary

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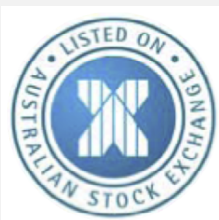
Website
kimberleyrareearths.com.au

Capital Structure
125.6m shares
6.0m 25c, 2014 unlisted options
2.5m 30c 2014 unlisted options

For further information, please
contact

TIM DOBSON
Chief Executive Officer

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Highlights

CUMMINS RANGE RARE EARTHS PROJECT

- Acquisition of 25% equity in project successfully completed following admission to ASX in May 2011
- JV expenditure earn-in to 55% equity commenced
- Site reconnaissance visit completed with site access and relationships established with local pastoral lease holders and local government
- High-impact exploration program incorporating geophysical, geochemical, and drilling components planned and approved with contractors secured for all components of the work
- Radiation Management Plan (RMP) approved, paving the way for commencement of drilling activities subject to Program of Work (PoW) approval
- Metallurgical consultant engaged and testwork planning commenced

CORPORATE

- Company successfully commenced trading on ASX as Kimberley Rare Earths Limited (ASX:KRE) on 18 May 2011 having raised \$18.2 million under an oversubscribed IPO
- NAV shareholding at 8.4% following in specie distribution of KRE shares to its shareholders
- Appointment of Tim Dobson as CEO, commenced 27 June 2011, adding significant metallurgical and project development expertise to the team
- Appointment of Geoff Collis as GM Exploration, commenced 16 June 2011
- New office premises secured at 83 Havelock St, West Perth

About Kimberley Rare Earths

Kimberley Rare Earths Limited listed on the Australian Securities Exchange on 18 May 2011, having raised \$18.2m under an oversubscribed Initial Public Offering.

KRE was incorporated by Navigator Resources Limited, to be a specialist rare earths company and following listing, now holds a 25% interest in the Cummins Range Project. KRE has the right to earn up to 80% 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%.

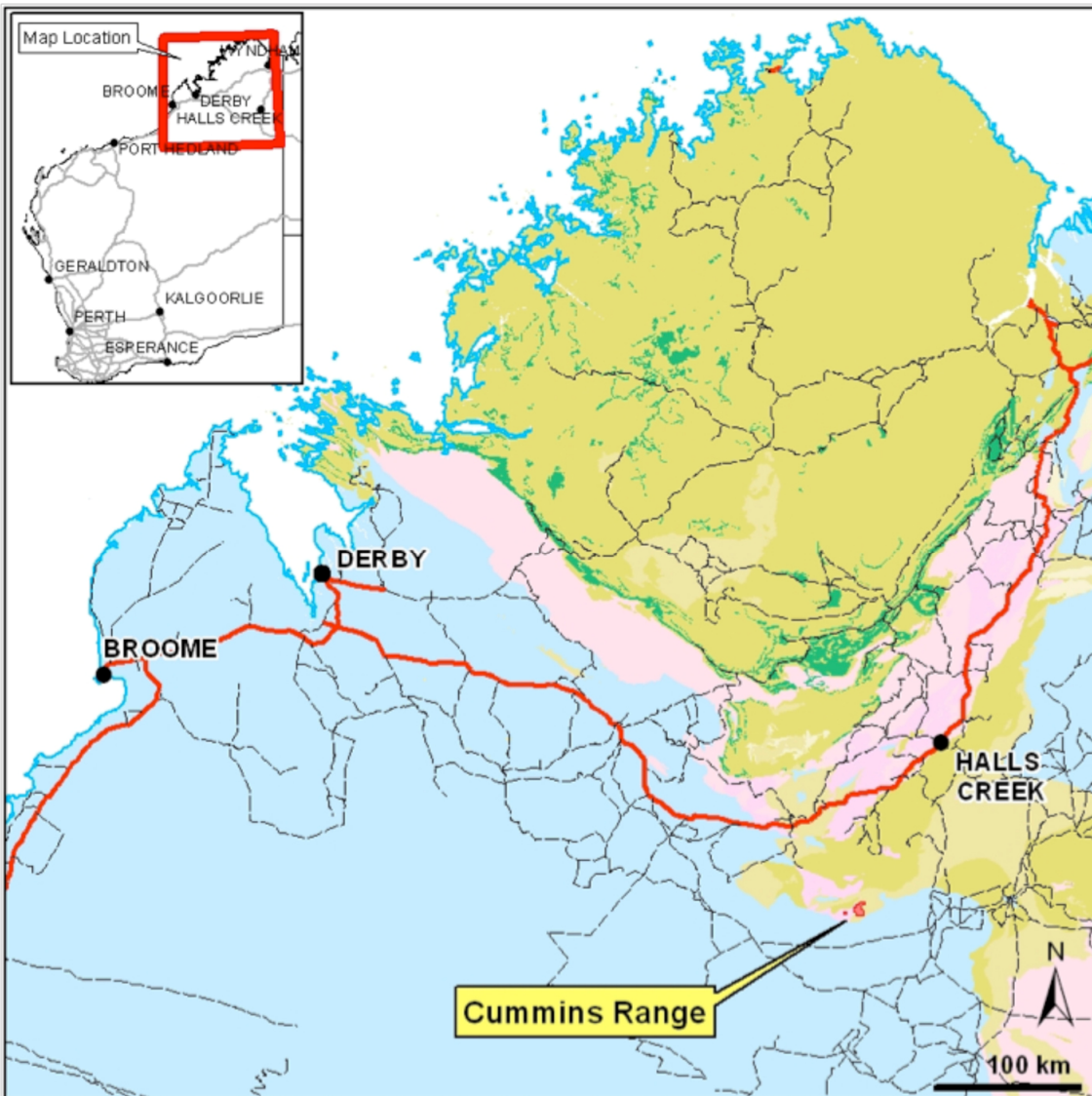
The Cummins Range project comprises 1 granted exploration license (80/2232) in the East Kimberley with an area of 48.5km² and within which is contained an independently estimated Inferred JORC compliant resource. The resource contains 4.17 Mt at an average grade of 1.72% TREO (total rare earth oxide) for 71,700 tonnes TREO, 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.

Operations

CUMMINS RANGE RARE EARTHS PROJECT

Cummins Range Deposit

The Cummins Range rare earths deposit is one of only 20 formally defined mineral resources in the world¹. Located 130 km (straight line) south west of Halls Creek in the East Kimberley region of northern Western Australia, the flat-lying deposit is hosted in the shallow (<100 m) weathered profile of the earths crust and expresses at surface. The Inferred Resource contains 120,000 tonnes of rare earth oxides (11 Mt at 1.1% TREO, 0.5% TREO cutoff grade, Hellman & Schofield), approximately equivalent to one year’s current world demand.



The Cummins Range project site Location, East Kimberley

¹ TMR Advanced Rare-Earth Projects Index Advanced Rare-Earth Projects Index – 13 July 2011
www.techmetalsresearch.com/metrics-indices/tmr-advanced-rare-earth-projects-index

Joint Venture

The Company has the right to earn up to 80% ownership of the Cummins Range Rare Earths Project in three stages, in unincorporated joint venture with Navigator Resources Limited (NAV);

STAGE 1 - FIRST 25%

The Company now holds 25% of the Project following the issue of 34.4 million KRE shares and 3 million unlisted options exercisable at 25 cents on or before 11 May 2014 as part of the Company's IPO. Stage 1 was successfully completed with the completion of the IPO on 18 May 2011.

STAGE 2 - ADDITIONAL 30% (TO 55%)

The Company must sole fund \$10 million of project development expenditure over four years, including minimum expenditure obligations of \$2 million and \$3 million in the first and second year. Stage 2 has commenced with development of the project as detailed below.

STAGE 3 - ADDITIONAL 25% (TO 80%)

If the Company elects to fund the costs of delivering a feasibility study (in bankable form) to NAV.

Cummins Range Site Activities

A reconnaissance visit to the project site was carried on the 5th and 6th of July during which the site access track last used by NAV in 2007 was re-established. The vehicle access distance to the site was confirmed as 170 km from Halls Creek, comprising 25 km of Great Northern Highway (west to Tanami Road turnoff), 35 km south on the well-maintained unsealed Tanami Road, and 110 km of established station tracks through Ruby Plains and Carranya cattle stations.

Communications and face to face meetings were held with the pastoral lease managers of Ruby Plains and Carranya stations, and a meeting was held with the CEO of the Halls Creek Shire to discuss the commencement of site activities at Cummins Range. Contacts were also established with local contract service providers and other resources companies working in the East Kimberley. Plans are in place to establish a field camp on site to accommodate up to 10 people required for the initial exploration and drilling work.



KRE CEO Tim Dobson inspects a drill line from the 2007 drilling campaign

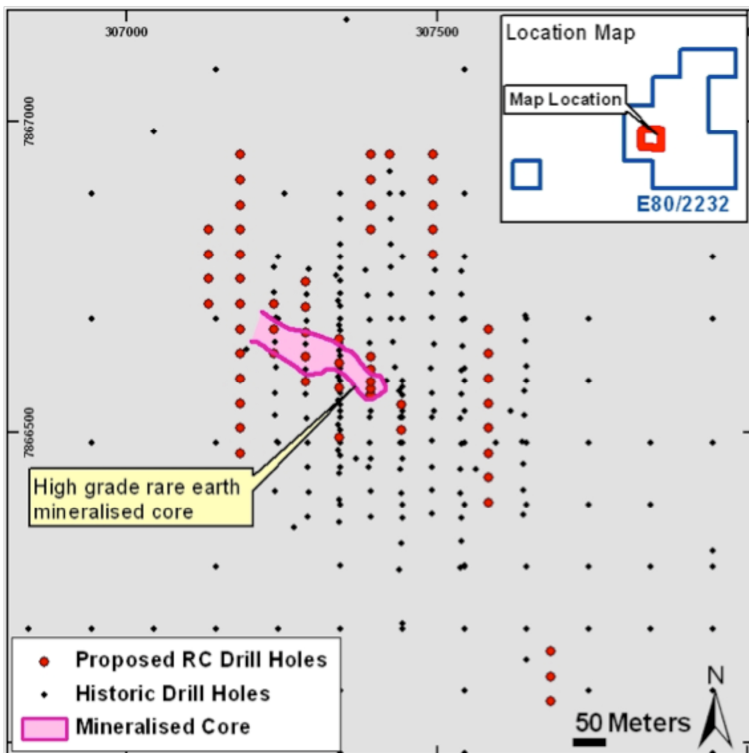
Exploration

On 16 June 2011 KRE announced a range of high-impact exploration activities planned to advance the Cummins Range rare earth project.

Drilling

Permitting required to allow drilling to commence is well advanced. A Radiation Management Plan (RMP) has been developed by independent consultants and approved by both the Radiological Council and the Department of Mines and Petroleum (DMP). A Program of Work (PoW) has been submitted to the DMP with approval expected by mid August and heritage clearance for the planned activities, approved by the Native Title claimant group, is in place.

A drilling contractor experienced in working to RMP standards has been secured and is expected to commence the planned 5,700m of RC drilling once the PoW is approved. Half of the program will comprise infill drilling which will close the current hole spacing down to 50 x 25 m grid resulting in the ability to upgrade the JORC status of the Resource from the Inferred to the Indicated category. The remainder of the program is designed to explore for extensions to the known resource primarily towards the NW. All of the potentially economic mineralisation occurs within the regolith and inclined holes will be drilled to fresh rock, notionally 100 m deep over the resource area.



Drill collar location plan

Geophysics

The existing broad-spaced aeromagnetic survey indicates that REO mineralisation is spatially related to magnetic lows and to radiometric highs within the Cummins Range diatreme. The magnetic diatreme itself is clearly evident as a prominent overall magnetic high in the airborne data, however there is inadequate resolution to target the close-spaced drilling of high-grade REO zones.

A close spaced (20 m line spacing), low altitude (20 m flight height) aeromagnetic/radiometric survey covering the entire diatreme and immediate surrounding country rock was flown during July. Approximately 2,000 line kilometers were flown using north-south flight lines and east-west tie lines. The resulting data is due for delivery within two weeks and will be

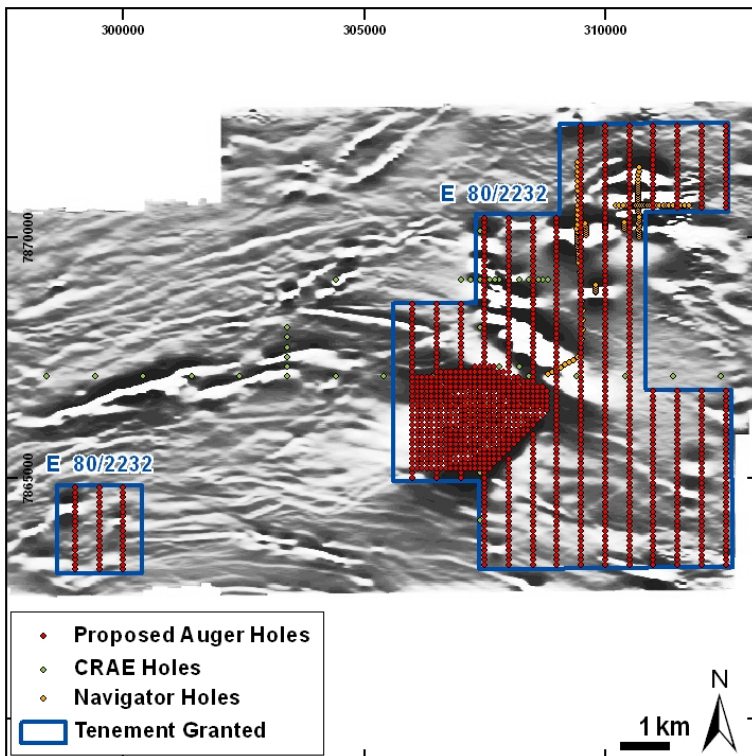
instrumental in defining further high-priority REO mineralisation targets as the signature of the existing mineral resource will be established and then extrapolated over the remaining intrusive in search of similar zones.

A close-spaced ground gravity survey is planned to compliment the airborne survey. A station spacing of 100 x 50 m will be used over the central portion of the diatreme, expanding to 200 x 100 m over the adjacent country rock to establish background parameters. This type of gravity survey is particularly effective as a regolith mapping tool and will help define the areas of deepest weathering where the highest-grade REO mineralisation has been found to be coincident. Data collection will commence at the end of July and will comprise a total of 3400 stations.

To complete the geophysical picture, a series of extremely high resolution (50cm) satellite imagery has been captured by the GeoEye satellite and is expected for delivery to KRE within two weeks. The imagery, covering the entire tenement, will provide a snapshot of the project area at the point in time when KRE assumed management of the project. These data will provide baseline references for all logistical, environmental and development activities required during the project's advancement. Regolith interpretations based on these data will aid in the interpretation of the geochemical survey.

Geochemistry

A thin veneer of aeolian sand covers much of the Cummins Range tenement area obscuring the bedrock from standard mapping, prospecting and sampling methods. An auger-sampling program comprising 1,354 samples has been designed to collect material from a depth of about 2 m. A spacing of 500 x 100 m will be utilised to screen the entire tenement area closing to 100 x 100 m over the Cummins Range diatreme. Fine-fraction samples will be analysed for a wide range of elements, including the rare earth elements (REE), to aid in the definition of high-priority REO targets for follow-up drilling. The contractor has already mobilised to site and samples are currently being collected with resultant assay data expected by the end of August.



Auger geochemical coverage of E80/2232 – Cummins Range.

Metallurgy

Work has commenced to progress the metallurgical understanding of the Cummins Range deposit. David White, Chemical Engineer, has been appointed as Metallurgical Consultant with the following scope of work:

- Assess REE-experienced metallurgical testwork facilities and service providers;
- Review technologies available for REE concentration and extraction;
- Review technologies available for downstream processing (REO separation);
- Manage a desktop project evaluation to determine concentrate returns required to underpin a robust project;
- Manage mineralogical studies of samples as they becomes available;
- Manage beneficiation studies as ore samples become available.

CORPORATE

Listing

The Company was admitted to the Official List on 16 May 2011, having raised \$18.2 million under a heavily oversubscribed IPO. As part of the IPO, KRE acquired a direct 25% interest in the Cummins Range project in exchange for the issue of 34.4 million KRE ordinary shares and 3.0 million unlisted options to Navigator Resources Limited (ASX – NAV). The majority of these shares have now been distributed by Navigator to its shareholders via an in specie return of capital. This has resulted in a reduction of the NAV shareholding in KRE to 8.4%.

The Company now has 125.6 million shares on issue of which approximately 13 million are restricted until May 2013.

Business Development

KRE's management has significant project development and operational expertise in addition to the Company's strong working capital position. Whilst the Company's priority focus is the development of the Cummins Range project, KRE intends to add to its project portfolio through judicious assessment, and acquisition if warranted, of other advanced rare earths projects both within Australia and offshore.

Appointments

The Board appointed two key executives immediately post listing to ensure that the planned programme of expenditure to achieve increased equity in the Cummins Range Project was activated as quickly as possible.

CEO - Tim Dobson

Tim Dobson was appointed as CEO of the Company with effect from 27 June 2011 and has 23 years of continuous, broad-based experience in a range of ASX-listed and international mining companies. Tim's early career was focused on process/technical roles at large-scale gold operations including the original Boddington Gold Mine, the complex Porgera mine in PNG, and the Granny Smith mine north of Kalgoorlie. Four years with Placer Dome's project development team followed, including roles in Canada and Chile, before moving into a lead management role commissioning the first nickel laterite operation in Australia - Centaur Mining's Cawse operation.

Tim then undertook an equally challenging management role at PNG's giant Lihir Gold Mine before relocating back to Cawse as Operations Director where he oversaw the ownership change from US-based OMG to Russian-based Norilsk Nickel. Tim joined Polymetals Group in November 2008 in the role of Chief Operating Officer / EGM-Operations where he oversaw the implementation of the successful White Dam Gold mine in South Australia, and took part in the Company's recent successful ASX listing.

Much of Tim's career has focused on the management and technical challenges of operating complex mineral processing facilities in both PNG and Australia. With ten years management experience, Tim's technical and project management abilities are supported by strong operational leadership, organisational development and strategic planning skills.

Tim holds a Bachelor of Applied Science (Extractive Metallurgy) degree from the WA School of Mines, is a member of the AusIMM, and is a graduate of the AICD company director program.

GM Exploration – Geoff Collis

Geoff was appointed as General Manager – Exploration on 16 June and has 26 years continuous experience as an exploration geologist working throughout Africa and Australia for a number of highly successful companies. Geoff has held senior exploration positions within Delta Gold, the Gutnick group of companies and Avoca Resources and his experience covers a range of commodities within a variety of different geological terrains. Geoff has been an integral member of small exploration teams responsible for the discovery of numerous gold deposits including Makaha (400koz) in Zimbabwe, Saxon Extended (120koz), Trident (1.2moz), Wills (20koz) and Musket (70koz) all within Western Australia. Other career highlights include the discovery of the Youanmi vanadium deposit in Western Australia and participation in the Hartley Platinum Project prefeasibility study which culminated in a major production joint venture with BHP.

Most recently Geoff was Exploration Manger of Avoca Resources Ltd from pre-IPO through to the commencement of the recent corporate merger which resulted in the creation of Alacer Gold. Geoff holds an MSc in Exploration Geophysics from the University of Zimbabwe and a Graduate Diploma in Applied Finance and Investment from the Securities Institute. He is a member of the AusIMM, the Australian Society of Exploration Geophysicists and FINSIA.

Place of Business

The Company has secured premises at 1/83 Havelock Street, West Perth.

Tim Dobson
CEO

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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

KIMBERLEY RARE EARTHS LIMITED

ABN

20 147 678 779

Quarter ended ("current quarter")

30 June 2011

Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (12 months) \$A '000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(40)	(40)
(b) development	-	-
(c) production	-	-
(d) administration	(149)	(149)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	90	90
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(99)	(99)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	-	-
1.13 Total operating and investing cash flows (carried forward)	(99)	(99)

1.13	Total operating and investing cash flows (brought forward)	(99)	(99)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	18,237	18,237
1.15	Proceeds from unissued shares, options etc	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (share issue costs)	(1,226)	(1,226)
	Net financing cash flows	17,011	17,011
	Net increase (decrease) in cash held	16,912	16,912
1.20	Cash at beginning of quarter/year to date	-	-
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	Cash at end of quarter / year to date	16,912	16,912

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A '000
1.23	Aggregate amount of payments to the parties included in item 1.2	39
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Non –Executive directors fees and superannuation

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

During the quarter the Company acquired 25% of the Cummins Range project from Navigator Resources Limited. The consideration paid by the Company for 25% of the project was the issue of 34,399,998 ordinary shares at an issue price of 20 cents per share and 3,000,000 options over ordinary shares at an issue price of 9.327 cents per option. This transaction did not involve any cash flows.

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A '000	Amount used \$A '000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,500
4.2 Development	500
4.3 Production	-
4.4 Administration	200
Total	2,200

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A '000	Previous quarter \$A '000
5.1 Cash on hand and at bank	4,912	0
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (Money market/Term Deposit)	12,000	0
Total: cash at end of quarter (item 1.22)	16,912	0

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	EL 80/2232	0%	25%

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities (description)	N/A	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities	125,584,269	111,974,762	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	i) 2 ii) 125,584,267	i) 2 ii) 111,974,762	N/A	N/A
7.5 +Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options (description and conversion factor)	3,000,000 3,000,000	- -	Exercise price 25 cents 25 cents	Expiry date 11 May 2014 30 June 2014
7.8 Issued during quarter	3,000,000 3,000,000	- -	Exercise price 25 cents 25 cents	Expiry date 11 May 2014 30 June 2014
7.9 Exercised during quarter	-	-	-	-
7.10 Expired during quarter	-	-	-	-
7.11 Debentures (totals only)	N/A	N/A		
7.12 Unsecured notes (totals only)	N/A	N/A		

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: 28 July 2011

Print name: Darren Crawte

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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