

Kimberley Rare Earths Limited
ABN 20 147 678 779

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

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29 SEPTEMBER 2011

MOZAMBIQUE JOINT VENTURE OVER PEGMATITE-HOSTED RARE EARTH PROJECT

KEY POINTS

- **KRE has entered an 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.**
- **Heads of Agreement (HOA) signed with terms including total cash consideration of \$300,000 payable up front to earn 40% JV interest in non-gemstone rights, then cumulative \$4 million over 5 years to earn up to 80%, with a right to increase to 90% by sole funding to production.**
- **Historical data includes rock chip samples assaying over 20% TREO, and concentrates from 38 separate pits located throughout the pegmatite field sampled by current owner averaged over 1000ppm TREO with 55% being LREO, 25% HREO and 20% yttrium oxide.**

Kimberley Rare Earths (KRE) is pleased to announce the signing of a Heads of Agreement with Great Western Mining (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% of the non-gemstone rights in the Malilongue project located in north west Mozambique (see Figure 1).

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.



MALILONGUE PROJECT

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



FIGURE 1 – Project Location Map

Geology

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. The discrete Malilongue intrusion is a medium grained, weakly foliated, late stage alkaline granite.

The pegmatite swarm is currently being exploited commercially by both GWM and by artisanal miners for topaz, aquamarine and amazonite gemstones of exceptional quality. The pegmatite field extends along the eastern margin of the intrusive over an area measuring 7km by 3km. Over 65 separate artisanal workings have been recorded within the tenements all exploiting either bedrock pegmatites or shallow alluvial/eluvial deposits.



FIGURE 2 – Artisanal miners working a Malilongue pegmatite occurrence

REO Mineralogy

No systematic exploration for REO mineralisation has been undertaken in the area however some bulk sampling of the alluvials has occurred. Selected grab samples of pegmatite material have assayed over 20% TREO (all results included in Appendix B).

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 (all results included in Appendix A).

A sample extracted from the eluvial beds was subjected to mineralogical examination by scanning electron microscope (see Figure 3) and found to comprise major xenotime and minor monazite and zircon. In addition to yttrium, the xenotime shows appreciable dysprosium and erbium.

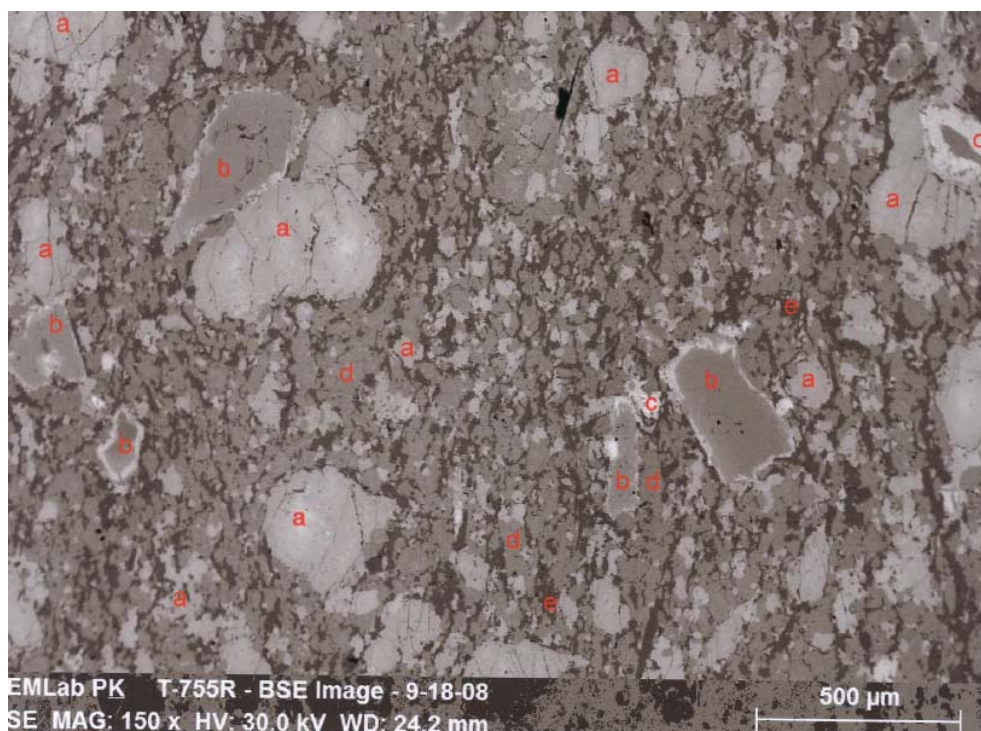


FIGURE 3 – SEM Image of a Malilonque pegmatite sample
Minerals: (a) monazite, (b) ferrocolumbite, (c) microlite, (d) xenotime, (e) zircon

Geophysics

Good quality regional datasets exist over the project area including close spaced (100m) low altitude (80m) aeromagnetic/radiometric data and Landsat imagery (see Figure 4).

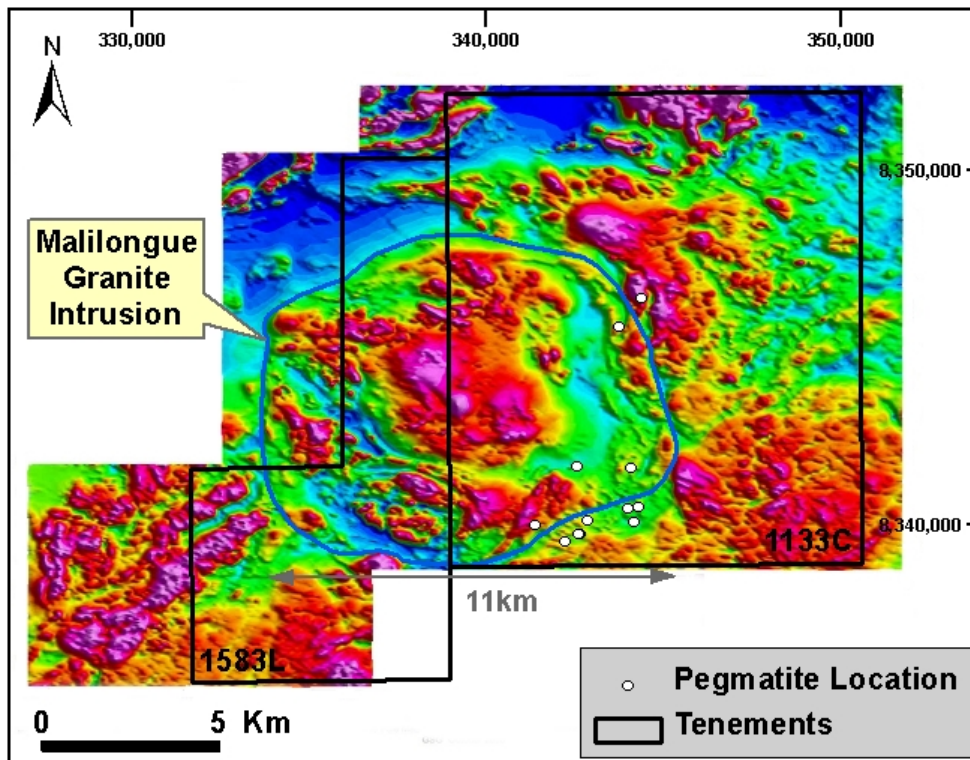


FIGURE 4 – Malilongue Project Aeromagnetic Image and Tenement Plan

The pegmatite-hosted mineralisation at Malilongue shows many similarities to Quest Resources’ Strange Lake deposit in Quebec Canada. Quest quoted a 43-101 compliant Indicated Mineral Resource of 36.4Mt grading 1.16% TREO with 57% being LREO, 15% HREO and 28% yttrium oxide. The deposit is hosted within pegmatites associated within a discrete circular, late stage granite intrusion into metamorphic terrain.

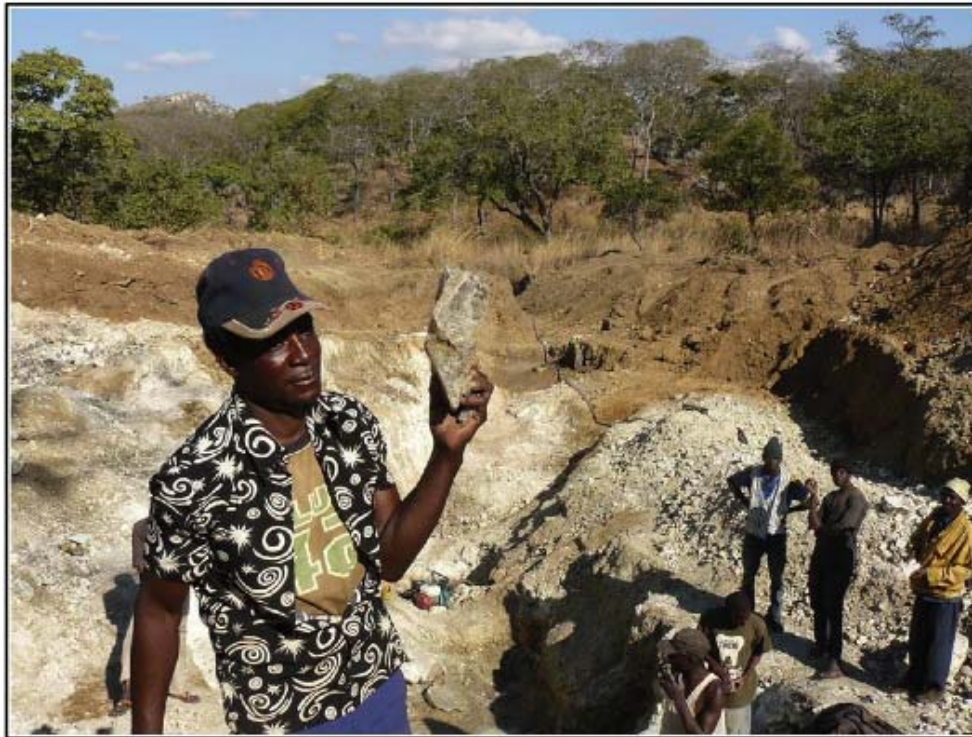


FIGURE 5 – A single, well-formed topaz crystal from Malilonque pegmatite gemstone operations

HEADS OF AGREEMENT

The key terms of the Heads of Agreement with GWM are as follows:

- A \$50,000 fee, partially refundable if KRE elects not to exercise its option following due diligence, has been paid to secure a 45 day exclusive option to acquire an initial 40% of the project in exchange for:
 - a cash payment of \$250,000;
 - 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
 - 750,000 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.
- During the option period, KRE will undertake such technical and legal due diligence as is considered appropriate.
- Should KRE decide not to exercise its option, \$30,000 of the option fee becomes repayable by GWM.
- KRE may earn a further:
 - 15% (to 55%) by sole funding \$1,000,000 of expenditure on the project within two years (Second Farm-In Date);
 - 25% (to 80%) by sole funding \$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.
- At the point KRE owns 90% of the project, GWM can elect to transfer its residual interest to KRE and revert to a 2% net smelter royalty.

STRATEGIC FIT

The Strategic Objectives outlined in the Company's April 2011 IPO Prospectus stated that the company will *assess and, if warranted, acquire other rare earths projects that have potential to add value to the Company.*

It is the opinion of KRE's Board and Management that the Malilongue project is an ideal fit within this objective and provides an exciting upstream project with significant exploration potential. KRE CEO Tim Dobson said that the project provides synergistic balance with the Company's Cummins Range project.

"Malilongue presents an excellent focal point for our exploration team to add medium to long term value while our development focus rests squarely with Cummins Range. Additionally, the new project has exciting potential for yttrium, dysprosium and terbium, all rare earth metals in critically short global supply, and complements the light rare earth project being developed at Cummins Range."

The exclusivity period for the project will expire on 12th November following which, subject to due diligence, the Company intends to complete the First Farm-In transaction and commence exploration activities on the Malilongue project.

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.

APPENDIX A – 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.
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).
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.

APPENDIX B – Malilongue Alluvial Pit Sample Jig Concentrate Assays

SAMPLE ID	TREE+Y [ppm] ¹	% LREE ²	%HREE ³	%Y ⁴
17956	609	61%	28%	11%
17957	3,493	42%	40%	17%
17958	3,669	49%	36%	15%
17959	401	69%	18%	13%
17960	790	52%	21%	26%
17961	1,349	71%	17%	12%
17962	378	67%	16%	17%
17963	596	60%	18%	22%
17964	592	58%	18%	24%
17965	596	67%	17%	16%
17966	606	68%	19%	13%
17986	759	62%	24%	15%
17984	1,203	56%	27%	17%
17987	862	44%	27%	29%
17992	370	60%	20%	20%
17967	500	61%	23%	17%
17968	257	72%	15%	13%
17969	859	73%	14%	12%
17970	936	51%	27%	22%
17971	787	41%	30%	30%
17972	2,127	29%	35%	37%
17973	2,588	61%	23%	16%
17974	482	57%	24%	20%
17975	743	43%	27%	30%
17976	2,094	43%	35%	22%
17977	1,659	33%	43%	24%
17978	2,905	47%	32%	21%
17979	994	49%	34%	17%
17980	831	49%	33%	19%
17981	2,294	44%	35%	21%
17983	1,820	57%	27%	16%
17982	2,394	55%	28%	17%
17985	785	45%	28%	27%
18008	604	72%	16%	12%
17988	795	41%	34%	26%
17989	619	53%	27%	20%
17990	1,114	38%	31%	31%
17991	457	40%	33%	27%
MEAN	1,182	54%	26%	20%
SD	882	12%	7%	6%
MINIMUM	257	29%	14%	11%
MAXIMUM	3,669	73%	43%	37%

¹ Sum of all rare earth element assays plus yttrium assay

² Proportion of light rare earth elements in TREE+Y expressed as a percentage

³ Proportion of heavy rare earth elements in TREE+Y expressed as a percentage

⁴ Proportion yttrium in TREE+Y expressed as a percentage

APPENDIX C – Malilongue Pegmatite Rock Chip Grab Sample Assays

Sample ID	Description	TREE+Y (%) ⁵	U+Th (%) ⁶	Ta+Nb (%) ⁷
MI 40805	Quartz	0.0	0.00	0.0
MI 40806	Pegmatite	21.8	0.79	10.4
MI 40807	Gossan	0.0	0.00	0.0
MI 40808	Pegmatite	19.8	1.75	24.4
MI 40809	Gossan	0.3	0.00	0.1
MI 40810	Gossan	0.0	0.00	0.0
MI 40811	Beryl	0.1	0.02	0.0
MI 40812	Beryl	0.0	0.00	0.1
MI 40813	Gossan	7.4	7.24	28.3
MI 40814	Ironstone	0.1	0.00	0.7
MI 40815	Ironstone	0.0	0.00	0.0
MI 40816	Pegmatite	1.6	0.99	34.2
MI 40817	Pegmatite	20.4	1.67	20.5
MI 40818	Beryl	0.0	0.01	0.0
MI 40819	Gossan	0.2	0.00	0.0

⁵ Sum of all rare earth element assays plus yttrium assay

⁶ Sum of uranium and thorium assays

⁷ Sum of tantalum and niobium assays