

**Kimberley Rare Earths Ltd**  
ABN 20 147 678 779

**Directors**

Ian Macpherson - Chair & NED  
Allan Trench - NED  
Gerry Kaczmarek - NED  
Peter Rowe - NED

**Management**

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

**Main Office**

1/ 83 Havelock St  
West Perth  
WA 6005

**Registered Office**

C/- MGI Perth  
Level 7, The Quadrant  
1 William St  
Perth  
WA 6000  
Telephone 08 9463 2463  
Facsimile 08 9463 2499

**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

**E-mail -**

tim.dobson@krel.com.au  
Tel - 0417 994 660



The Manager  
Company Announcements Office  
Australian Stock Exchange

9 September 2011

Dear Sir/ Madam

**UNMARKETABLE PARCELS**

Please find attached a copy of a letter despatched to shareholders today concerning the round up of unmarketable parcels under Clause 6.7 of the Company's Constitution.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Darren Crawte', written over a light blue circular stamp.

Darren Crawte  
Company Secretary

**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 48.5km<sup>2</sup> 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% P<sub>2</sub>O<sub>5</sub> and 187 ppm U<sub>3</sub>O<sub>8</sub> (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.*

9<sup>th</sup> September 2011

Dear KRE Shareholder

**NOTICE OF PROPOSED SALE OF UNMARKETABLE PARCELS OF SHARES HELD IN KIMBERLEY RARE EARTHS LIMITED**

***This letter and enclosed Terms and Conditions contain important information about your Shares in Kimberley Rare Earths Limited (KRE). If you do not respond to this letter, KRE will be entitled to have your shares sold for you and send you the sale proceeds.***

I am writing to offer all shareholders with a holding of KRE shares valued at less than \$500 as at the close of trade on 8 September 2011 (an “**Unmarketable Parcel**”) a facility to dispose of those holdings without incurring brokerage costs (“**the Facility**”). The Facility is being established in accordance with KRE’s constitution.

KRE currently has almost 5,000 shareholders, with the majority of these shareholders having received their KRE shares in June 2011 under the in-specie return of capital by Navigator Resources Limited (ASX - NAV). As a result of this in-specie distribution, KRE now has almost 3,000 shareholders holding Unmarketable Parcels of KRE shares, which constitutes approximately 2% of KRE’s issued share capital.

Such a large shareholder base represents a significant administrative overhead for KRE. The Board has therefore resolved to undertake a sale of these Unmarketable Parcels of KRE shares in accordance with KRE’s constitution, should those shareholders not elect to retain their KRE shares.

Our records show that at the date of this Notice you are the holder of an Unmarketable Parcel of shares in KRE. Article 6.7 of KRE’s constitution and ASX listing rule 15.13A allows KRE to sell, on behalf of the holder, any Unmarketable Parcels of shares recorded on the register of members if that Unmarketable Parcel of shares was created by the transfer of a parcel of shares that was an Unmarketable Parcel at the time the transfer of the shares occurred.

By selling Unmarketable Parcels of shares, KRE will significantly reduce its administration and share registry costs, such as the printing and mailing of Annual Reports and Notices of Meeting. In addition, using the Facility will allow your KRE shares to be sold without you incurring disproportionate brokerage costs.

**DECISION REQUIRED BY SHAREHOLDERS**

You must decide whether to:

- (a) **Sell your shares** – if you wish to have your shares sold, you simply need to **take no action**.

If you decide not to retain your shares, you will be deemed to have appointed KRE as your agent to sell your shares and they will be sold, together with the holdings of all other shareholders with unmarketable parcels who did not elect to retain their shares, at the market price prevailing at the time of sale.

A cheque for the proceeds of sale will be mailed to participating shareholders no later than 10 days after the Company receives the proceeds of the sale. All brokerage and handling costs associated with sale of shares will be borne by KRE. Please note that you will be liable for any taxes or charges on the transaction that are particular to your financial situation.

**Or,**

- (b) **Retain your shares** – if you wish to retain your shares you must **either**:
- (i) Complete the enclosed Share Retention Form and return it by post on or before 5.00pm WST on 25<sup>th</sup> October 2011 to the following address:

Kimberley Rare Earths Limited  
c/- Advanced Share Registry Services  
PO Box 1156  
Nedlands WA 6909

Tel - +61 8 9389 8033

**Please note that if you do not complete and return the Share Retention Form by the due date, your shares will be sold.**

Or,

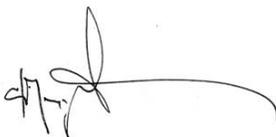
- (ii) Purchase additional KRE shares so that your shareholding becomes a marketable parcel (i.e. a parcel of shares of not less than \$500). For such purchases to be an effective notification to KRE that you wish to retain your shares, any additional shares must be:
- a. held in the same holding as your current shares (i.e. you must advise your broker to purchase the shares under the same holder number (Holder Identification Number (HIN) or Securityholder Reference Number (SRN) that is stated on the enclosed forms); and
  - b. registered on KRE's share register by 5pm WST on 25 October 2011.

The market price for KRE shares is subject to change due to normal share market activity. Up to date information on the market price for KRE shares can be obtained from the ASX (code KRE), or from your stockbroker. Please be aware that the sale price for KRE shares that are sold under the Facility will depend on a number of factors (including the prevailing market conditions at the time of the sale), and the amount you will receive will be an average price per share based on the price obtained for all the shares sold under the Facility. Please refer to the enclosed Terms and Conditions for information on how the sale price will be determined.

None of KRE's employees, officers or agents makes any statement of opinion or recommendation to you regarding whether to participate in the Facility or whether to buy, sell or hold KRE shares, and do not provide any financial, taxation of investment advice in relation to the Facility.

If you have any queries in relation to this notice, please contact the KRE's Share Registry on +61 8 9389 8033 or email: [info@kimberleyrareearth.com.au](mailto:info@kimberleyrareearth.com.au).

Yours sincerely



Ian Macpherson  
Chairman & Non Executive Director

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## Terms and Conditions – Small Holding Sale Facility

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1. Kimberley Rare Earths Ltd (the **Company**) is authorized under its constitution to operate the Small Holding Sale Facility (the **Facility**).
2. If you wish for the Company to have your Company shares **sold** for you with the proceeds being sent to you (without you paying any brokerage or handling charges), you **do not** need to respond to this correspondence.
3. The Company will bear the brokerage and handling costs associated with sales of Company shares under the Facility. However, you will bear any other tax or charge on the sale of your shares.
4. You can **retain** your Company shares if you wish to do so. If this is the case, **before 5pm WST on 25 October 2011**, you must do one of the following:
  - (iii) Complete the enclosed Share Retention Form and return it in accordance with the instructions on the form so that it is received by **5pm WST on 25 October 2011**; or
  - (iv) Purchase additional Company shares so that your shareholding becomes a marketable parcel. For such purchases to be an effective notification to the Company that you wish to retain your shares, any additional shares must be held in the same holding as your current shares (i.e. you must advise your broker to purchase the shares under the same holder number (Holder Identification Number (HIM) or Securityholder Reference Number (SRN)) that is stated on the enclosed forms) and must be registered by the time referred to above.

If neither of those events occur before **5pm WST on 25 October 2011**, the Company will be entitled to have your Company shares sold for you.

5. Any sales under the Facility are currently intended to take place as soon as practicable after 5.00 pm WST on **25 October 2011**.
6. If your Company shares are in a CHESS holding, the Company may, without further notice to you, initiate a holding adjustment to move those shares to an issuer sponsored holding or a certificated holding for the purposes of sale under the Facility.
7. The price that you will receive for your Company shares if they are sold under the Facility will be the volume weighted average price of all Company shares sold under the Facility.
8. **You should note that the price obtained for your Company shares under the Small Holding Sale Facility will depend on a number of factors (including market conditions prevailing at the time) and that you will not have control over the time at which your Company shares are sold. The price you receive may be different to the price appearing in the newspaper or quoted by ASX on any day, and may not be the best execution price on the trading day or trading days that your shares are sold and may be less than the actual price achieved by the Company for the shares.** However, the Company will use its best endeavours to sell any Company shares sold under the Facility at the best price reasonably obtainable for those Company shares at the time of the relevant sale.
9. If your Company shares are sold under the Facility, within 10 business days after the settlement of the last sale under the Facility:
  - (a) Sale proceeds calculated in accordance with clause 7 above will be paid to you in Australian dollars by cheque made out to your name as shown in the Company's share register; and
  - (b) Advanced Share Registry will notify you, by way of a transaction confirmation statement, of the number of your Company shares sold through the Facility and the total sale proceeds you have received.

The relevant cheque and transaction confirmation statement will be sent by post, at your risk, to your address as shown on the Company's share register.