

ASX:KRE

28 November 2012

Kimberley Rare Earths Limited  
ABN 20 147 678 779

Directors

Jon Parker – Chairman  
Tim Dobson – Managing Director  
Ian Macpherson – NED  
Allan Trench – NED  
Mal James – NED

Management

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

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Website

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Capital Structure

128.2m shares  
6.0m 25c, 2014 unlisted options  
3.5m 30c, 2014 unlisted options  
0.75m 30c, 2015 unlisted options

Cash at 31 October 2012

\$10.4 million

Market cap at 26 November 2012

\$8.1 million

For further information,  
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## Acquisition of Big Springs Gold Project

### KEY POINTS

- **Large gold project proposed to be acquired**
  - Mining: previous production (1987 – 1993) >350 koz
  - Exploration: NI 43-101<sup>1</sup> inferred resource reported
  - Drilling data: >2,400 holes
  - Extension: potential at depth & along strike
  - Location: Nevada, USA
- **Consideration framework**
  - Cash: US\$4m plus up to US\$2m cash deferred (milestone-based)
  - KRE shares: 20m plus 45m performance shares (milestone based)
  - Subject to conditions: includes due diligence, ASX & shareholder approvals
- **Fit with KRE strategy and capability**
  - Aim to achieve prompt sustainable cash flow
  - Delivers platform for growth via further M&A
  - Name change to Anova Metals: approval sought at AGM

*“The acquisition of the Big Springs Project marks a new beginning for our Company and follows an extensive search for suitable projects both in Australia and overseas,”* Managing Director, Tim Dobson said.

*“The combination of this new flagship project, together with KRE’s strategy and distinctive capability, is intended to position the Company to achieve its goal of rapid growth into gold producer and acquirer of other metals projects.”*



<sup>1</sup> NI 43-101 is a national instrument for the Standards of Disclosure for Mineral Projects within Canada.

**Kimberley Rare Earths Limited** (ASX: KRE, or the Company), is pleased to announce it has entered into a binding agreement (Agreement) to acquire 100 per cent of Big Springs Project Pty Ltd (BSP) from its shareholders (Vendors). A BSP US subsidiary, MRG Copper LLC (MRG), has a conditional right to acquire 100 per cent of the Big Springs Gold Project (Project) located in Nevada, USA from Victoria Gold Corp. (CVE: VIT). Completion of the acquisition by KRE of BSP is conditional on the simultaneous completion of MRG's acquisition of the Project.

Over the past nine months, KRE has made an extensive search for suitable projects. Of the more than 40 projects reviewed, only a handful have met the Company's investment criteria, which include: the potential for early development into a sustainable and profitable project; fit with the distinctive capability and strategic intent of KRE; and provision of a platform for further stepwise growth. Subject to completion of due diligence, the Project meets all of these criteria.

## The Agreement

Key terms of the Agreement include:

1. **Cash consideration:** up to US\$6 million for use by MRG to complete its purchase of 100 per cent of the Project payable as follows:
  - 1.1. US\$2 million on legal and financial close (Completion);
  - 1.2. US\$2 million 60 days after Completion; and
  - 1.3. up to US\$2 million, predominantly subject to satisfaction of JORC resource performance milestones.
2. Issue of 65 million KRE shares, which reward the Vendors for delivery and ongoing development of the Project, as follows:
  - 2.1. **KRE ordinary shares:** 20 million issued on Completion (70% subject to 12 months escrow from issue);
  - 2.2. **KRE performance shares:** 45 million issued on Completion, vesting as follows:
    - 4 million vesting into 4 million KRE Shares (70% subject to 12 months escrow from date of issue) if the Company delineates an Inferred Mineral Resource, compliant with the JORC code, of at least 600,000 ounces of gold within 18-months of Completion;
    - a further 13 million vesting into 13 million KRE Shares (70% subject to 12 months escrow from issue) if the Company delineates an Inferred Mineral Resource, compliant with the JORC code, of at least 800,000 ounces of gold within 18 months of Completion;
    - a further 13 million vesting into 13 million KRE Shares (70% subject to 12 months escrow from date of issue) if the Company delineates an Inferred Mineral Resource, compliant with the JORC code, of at least 1 million ounces of gold within 18 months of Completion; and
    - 15 million vesting into 15 million KRE Shares (50% subject to 24 months escrow from date of issue until earlier of 24 months or regulatory approval to mine the Project) if the Company delineates a Probable Ore Reserve, compliant with the JORC code, of at least 75,000 ounces of gold within the Project within 24 months of Completion.

2.3. A nominee of the Vendors will be invited to join KRE's Board following Completion.

The Agreement is subject to a number of conditions, which must be satisfied or waived by 9 February 2012, including:

- Satisfactory due diligence. KRE is working closely with the Vendors to complete appropriate due diligence activities including a site visit and meetings with key regulators in the US.
- KRE shareholder approval including to a change to the nature and scale of KRE's activities in accordance with ASX Listing Rule 11.1.2 and the issue of KRE shares and performance shares associated with this transaction. Subject to due diligence activities being completed satisfactorily, it is anticipated that a shareholders meeting will be called at the earliest practicable time, with a January target.
- MRG executing formal documents with VIT for its acquisition of the Project, and the formal documents becoming unconditional.

## The Project

The Project is located in an established gold mining region, 80 km north of Elko in the north east of the state of Nevada, USA (Figure 1).

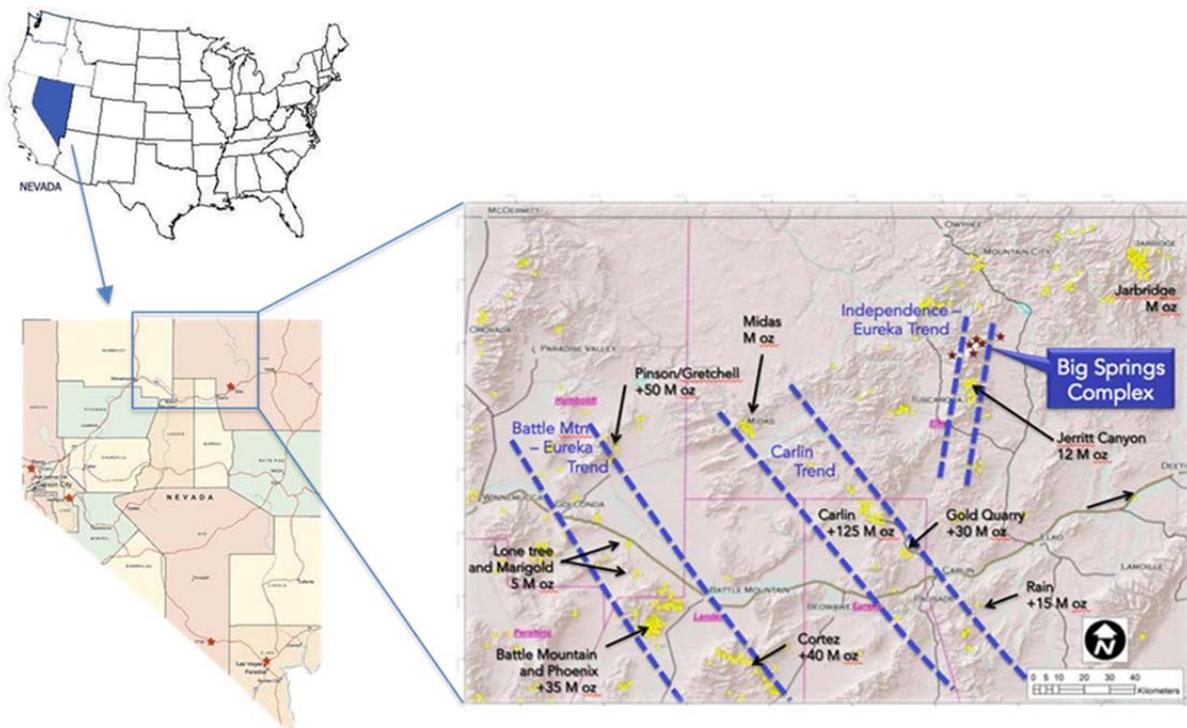
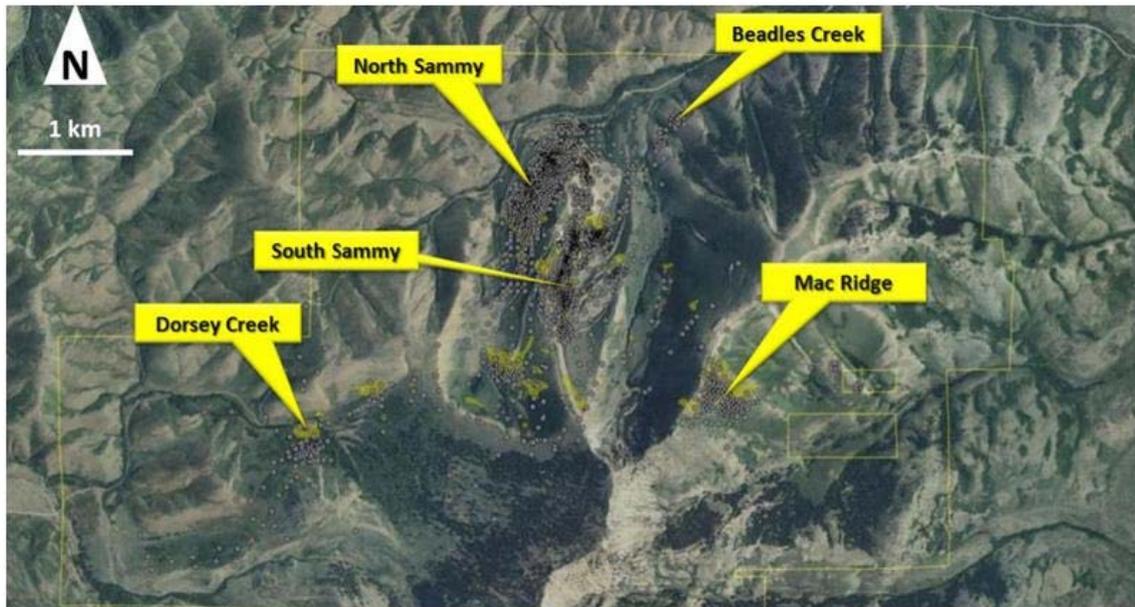


Figure 1: Project location in north eastern Nevada, USA

The Project's gold deposits exhibit many of the characteristics of Carlin-type deposits and comprise five separate zones (Figure 2). The Project was mined by Freeport McMoRan between 1987 and 1993 producing 386,000 ounces of gold from several open pits (Figure 3). Mining at the Project ceased in 1993 due to low gold prices. From 2002, the then owners of the Project, Gateway Gold Corp (Gateway) completed extensive exploration work on the Project including 49,100 m of RC and diamond drilling. This work was combined with pre-existing drill data to produce a combined database with over 2,400 drill holes.



*Figure 2: The Big Springs Project comprises five separate zones*

In 2006, Gateway reported an NI 43-101 inferred gold resource estimate within the Project. KRE's due diligence has been unable to validate the basis of the assumptions and estimates used in that NI 43-101 report and, accordingly, KRE does not intend to rely on it. KRE's aim is to define a JORC-compliant resource on the Project following Completion. It is uncertain if, following evaluation and/or further exploration, that the existing resources will ever be reported in accordance with the JORC code. If a JORC-compliant mineral resource is able to be reported by KRE, there is a risk that the resource may be lower than that reported by Gateway, and as such KRE has negotiated for the final consideration for the Project to be dependent on the extent of any JORC-compliant resource that may be delineated by KRE.



Figure 3: Open pit mining at the Big Springs Project ceased in 1993 due to low gold prices.

Gold mineralisation extends from surface and is open along strike and at depth, and exists as a series of high grade shoots that extend well below the base of the previously mined open pits (Figure 4).

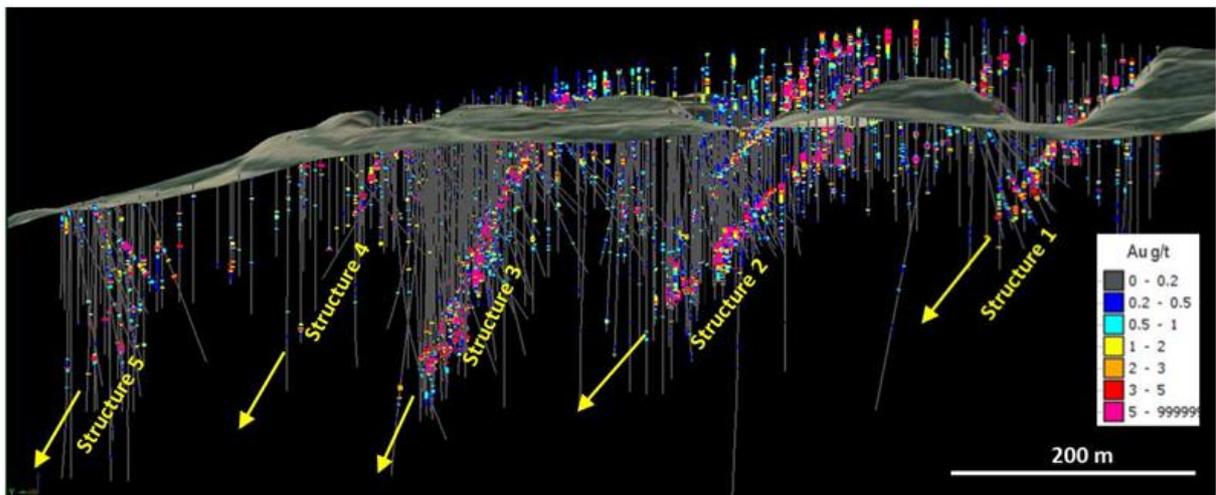


Figure 4: Long section below decommissioned North Sammy pit looking ESE

The Project occurs entirely within public lands. Land access agreements with individual landholders are not required. Previously mined areas and waste dumps remain the liability of the previous owners. Net smelter return ('NSR') royalties in the range of zero to three per cent are payable to various claim groups related to the deposits.

In addition to the complex of known deposits, the Project also comprises more than 50 km<sup>2</sup> of highly prospective stratigraphy which contains significant, untested, gold-in-soil geochemical anomalies as well as a number of geophysical targets that remain to be drill tested.

### Strategic fit

The Project aligns with KRE's strategy of targeting projects with potential for near-term development and extension of the deposits through exploration. The Project also aligns with KRE's distinctive capability: KRE's board and management have extensive gold mining operational and corporate experience; and Tim Dobson, Managing Director, has deep experience in the development and operations of large-scale gold projects, both in Australia and overseas.

With successful completion of the transaction, Big Springs will provide a strong base for organic growth and provide a platform for M&A opportunities to step the company up.

### Competent Person Statement

*Information in this ASX release that relates to exploration results is based on information compiled by Mr. Geoff Collis, who is a member of the Australasian Institute of Mining and Metallurgy. Mr Collis is a full-time employee of KRE 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 in this ASX release of the matters based on his information in the form and context in which it appears.*