

ASX:KRE

26 September 2012

Kimberley Rare Earths Limited  
ABN 20 147 678 779

**Directors**

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

**Management**

Tim Dobson – Managing Director  
Geoff Collis – GM Exploration  
Michael Chan – GM Project Dev.  
Darren Crawte – Company Secretary

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**Website**

[www.kimberleyrareearths.com.au](http://www.kimberleyrareearths.com.au)

**Capital Structure**

126.6m shares  
6.0m 25c, 2014 unlisted options  
3.5m 30c, 2014 unlisted options  
0.75m 30c, 2015 unlisted options

**Cash at 31 August 2012**

\$11.3 million

**Market cap at 25 September 2012**

\$8.46 million

For further information,  
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## Strategy reset: Positioning for growth

### KEY POINTS

- Further expenditure on Cummins Range suspended
- M&A target: advanced precious, base and strategic metal projects
- Exploration focus: Malilongue heavy rare earths project

Kimberley Rare Earths Limited (ASX:KRE), is pleased to provide an update on its strategic review process. The process aims are: to respond to significant change in the rare earths sector; to position the company for growth through project development and production; and to preserve and then grow shareholder value.

Following recent board changes, KRE reaffirms its commitment to growing shareholder value through best use of the Company's resources.

### *Change reflects a resetting of the Company's strategy*

*"Since KRE listed in May last year at a time of an unprecedented spike in rare earth prices, the rare earths sector has changed significantly and prices have fallen markedly. The Company is resetting its business strategy in response to these movements,"* said Chairman, Jon Parker.

*"The change reflects both the diminished prospectivity of the light rare earths sector and increasingly accessible market opportunities beyond rare earths. The Company's strong cash reserves, distinctive capability, and strategic intent for creating value through growth provide the basis for a successful business."*



### *Further expenditure on Cummins Range suspended*

In May 2011, KRE listed with a 25 per cent interest in the Cummins Range Project - a modest-sized light rare earths Resource that at the time showed significant exploration upside potential.

Between July 2009 and July 2011, exponential rare earth price increases triggered global exploration activity. The number of defined non-Chinese rare earths deposits has since risen from 12 to 44 and defined Resources increased to around 400 years of current annual rare earth global demand. High prices led to demand destruction via substitution and efficiency gains, particularly for light rare earths.

Since the July 2011 price peak, light rare earths forecasts have moved from under to oversupply, prices have fallen by 70 per cent and continue to decline.

In August 2012, the Company announced the results of its Cummins Range concept study which confirmed the project's technical viability. But it also defined the project's modest scale, limited extension potential, and the importance of sourcing additional local feedstock opportunities to enhance commercial viability. These opportunities do not currently exist.

The Board has concluded that near-term commercial development of Cummins Range is not practicable and that long-term development is dependent on factors beyond KRE's control. In these circumstances further expenditure on Cummins Range is not warranted. It is notable that KRE shares have been trading at below cash backing with zero value attributable to Cummins Range.

The Cummins Range Joint Venture Agreement (JVA) with Navigator Resources Limited (NAV) includes a KRE minimum expenditure commitment of \$5 million by 13 May 2013. Expenditure to date means KRE would be required to spend a further \$1.8 million to meet this commitment. The JVA outlines the following possible outcomes in the event that this minimum expenditure commitment is not met:

1. KRE may make a shortfall payment to NAV representing the balance between actual expenditure, and \$5 million; or
2. NAV may elect to take back KRE's 25% interest in the Project.

KRE is currently in discussions with NAV and the ASX to determine whether a more beneficial option may be achievable in light of the changed market and project circumstances.

### *Mergers & Acquisitions (M&A) focus*

In March 2012, the Company announced that following a strategic review it was commencing a process of reviewing M&A opportunities. Since then several target market sectors have been identified that are complementary to KRE's business model, have potential to leverage the Company's internal capabilities and have solid market outlooks. Target sectors include precious metals, base metals and strategic minor metals.

KRE has assessed a large number of projects and corporate opportunities to date, none of which have met the Company's investment criteria. However, the Board notes that the number of quality opportunities is increasing as continuing negative market conditions prevail. It believes that KRE is well positioned to realise a suitable transaction. All potential transactions are being subject to rigorous evaluation based on the best interests of all shareholders.

*Exploration focus; Malilongue*

KRE's Malilongue<sup>1</sup> heavy rare earths project located in Mozambique is highly prospective for heavy rare earths, lithium, tin and tantalum (see ASX announcements of 17 February 2012, 9 May 2012, 26 June 2012 and 4 September 2012). KRE will continue to unfold the potential of Malilongue through a program of cost-effective but high impact exploration.

A trenching program is in progress over the key prospect areas and samples are currently being assayed. The results from this work will be used to determine the most appropriate next phase of exploration which is expected to include the first phase of drilling, pending identification of appropriate drill targets.

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<sup>1</sup> The Company has the right to earn up to 90% of the mineral rights, excluding gemstones, in the Malilongue Project.