

ASX:KRE

9 October 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

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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 30 September 2012

\$11.0million

Market cap at 5 October 2012

\$8.46 million

For further information,  
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## Withdrawal from Cummins Range JV

### KEY POINTS

- Expenditure commitments reduced by \$6.8m
- Joint venture agreement terminated in exchange for cash payment to NAV of \$350k

On 26 September 2012, Kimberley Rare Earths (ASX:KRE) announced its intention to cease further spending on the Cummins Range light rare earths project in which it has a 25 per cent interest, citing significant changes in the rare earths sector and a negative assessment of development options for the project. KRE has now reached agreement with joint venture partner Navigator Resources (NAV) to terminate the Joint Venture Agreement (JVA) and transfer its 25% interest in Cummins Range back to NAV (the **Transaction**). Consideration for the Transaction is a one-off cash payment of \$350,000 by KRE to NAV.

### ***KRE expenditure commitments reduced by \$6.8 million***

Under the terms of the JVA, KRE had an obligation to spend \$5 million on the Cummins Range Project in the first two years, with any shortfall in this expenditure to be paid in cash to NAV (unless NAV elects to reacquire KRE's interest for a nominal sum), and a further \$5 million in the second two years for KRE to maintain management rights and increase its interest to 55%. The Transaction relieves KRE of these obligations, including a contingent obligation to spend an additional \$1.8 million by May 2013 assuming KRE does not spend any further funds on the project.

The Transaction is subject to KRE completing satisfactory rehabilitation of its 2011 drilling sites, work that is currently in progress.



***JVA withdrawal***

In considering the Company's ongoing involvement in Cummins Range, KRE became aware of a possible discrepancy between the JVA and KRE's IPO Prospectus. The IPO Prospectus indicates that if KRE fails to fund \$5 million in the first 2 years, it can either pay a shortfall amount to retain its farm-in rights or can withdraw from Cummins Range for a nominal cost. However, the JVA provides that if KRE fails to fund and does not pay the shortfall amount to NAV, NAV may require KRE to forfeit its 25% interest. This gives rise to the implication that NAV may, instead of requiring forfeiture, pursue KRE for failing to pay the shortfall. On realising these circumstances, and given KRE's desire to withdraw from the JVA as soon as possible, Independent Board Committees (**IBCs**) of both companies set about negotiating in good faith, arriving at the Transaction as an acceptable position to both companies. The \$350,000 consideration reflects KRE's desire to obtain an early withdrawal from the JVA and avoids any future potential shortfall payment.

***Positioned for future growth***

KRE has an enviable cash position and, in line with the revised strategy previously announced to the market, is actively pursuing M&A dealings that will position the Company strongly for future growth. This Transaction allows KRE to pursue such M&A transactions with some certainty.

This announcement has been authorised for release by the KRE IBC.

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