

KIMBERLEY RARE EARTHS

RESOURCESTOCKS

CHARGING OUT OF THE BLOCKS

Full control of a flagship project with a substantial resource in an in-demand commodity is just the beginning for this project developer.

A SUBSTANTIAL RARE earths project, \$17 million cash and a chief executive officer with an enviable reputation for processing, operations management and team-building skills explain part of the attention Kimberley Rare Earths has attracted in its short listed history.

Since an oversubscribed \$18 million initial public offering and successful Australian Securities Exchange debut in May, KRE has emerged as a determined project development company, completing aeromagnetic, detailed radiometric and gravity surveying, satellite imaging and auger sampling ahead of a drilling program from which first results are expected this month.

The project, Cummins Range, hosts one of just 20 formally defined rare earth resources globally, as recognised on the Technology Metals Research Advanced Rare-Earth Projects index.

KRE not only holds all rights to manage, develop and operate the project, but can earn up to 80% ownership of the increasingly valuable project through delivery of a bankable feasibility study.

It is anticipated that the current drilling will improve both the size and JORC classification of the resource and will also provide samples for targeted metallurgical testing in a program that is well into the planning stages.

"We were instinctively into exploration and metallurgy right from the start," KRE CEO Tim Dobson said.

"There are over 300 other rare earth projects out there, but without a formally defined resource – many are only based on surface rock chip assays.

"Our focus will be on the rapid development of our Cummins Range project, but with a disciplined approach.

"We are realistic about the timeframes involved for rare earths projects.

"We are about proving this up and bringing it into production as soon as possible.

"This is reflected in the way we have structured our executive team and, as a result, differentiated ourselves from the rest of the market."

Cummins Range, in Western Australia's east Kimberley region, boasts an inferred resource measuring 4.17 million tonnes grading 1.72% rare earth oxide (REO), 11% phosphate pentoxide (P₂O₅) and 187 parts per million uranium oxide (U₃O₈).

Reducing the cut-off grade from 1% to 0.5% REO increases the resource significantly, to more than 11Mt grading 1.1% REO. The REO mix is predominantly light rare earths and fits well within the volume end of demand for rare earth elements such as cerium and lanthanum. These two elements are used as catalysts and in the manufacturing of steel alloys, fuel additives, batteries, photovoltaic cells and polishing agents.

Moreover, the Cummins Range

mineralisation is shallow and weathered and will accordingly be efficient to mine.

Importantly, Cummins Range is located neither near established residential areas nor tourist attractions, but within ready range of both the Broome and Wyndham ports, representing cost-efficient gateways to Asian destinations.

Characteristically, the Cummins Range resource appears to be similar to Lynas Corporation's Mt Weld deposit in WA's Eastern Goldfields.

Lynas Corp has successfully pioneered first-stage rare earths processing at Mt Weld, so can approvals roadmap for a project for such as Cummins Range is already to hand.

While Lynas has also embarked on downstream processing due to necessity, Dobson can envisage Australia developing a distinct refining and marketing industry, enabling domestic miners to concentrate on their well-proven extraction skills and leaving separation of the end products in the hands of one or two third-party facilities designed to accommodate a blend of feed stocks.

"Australia has a great opportunity to create this new industry value-add through government and business ►

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TIM DOBSON
KIMBERLEY RARE EARTHS



cooperation,” Dobson said. “Our nation could be at the forefront of the downstream industry.”

Rare earths separation processes are complicated, as the separate minerals are closely related chemically.

Furthermore, each deposit is of a different blend, so how one company achieves optimal separation will not entirely apply to another operation.

Dobson knows that a key to achieving consistent production is providing consistent feed, something that can be achieved by blending a range of feeds, in this case intermediate products from various rare earths operations.

“Fortunately I am a metallurgist and my professional experience has mostly been with complex metallurgy, at Porgera and Lihir in Papua New Guinea, and also the Cawse nickel-cobalt laterite processing near Kalgoorlie,” Dobson said.

“We can ensure this project [Cummins Range] will be well done.”

Regarding potential to benefit from the phosphate market, Dobson confirms this extraction will also be considered during flow sheet development.

Like Dobson, KRE general manager exploration Geoff Collis is well regarded within his area of expertise, most recently for his role as Avoca Resources exploration manager but also for his involvement in numerous other discoveries including the Youanmi vanadium find in WA’s Mid West.

Together with Dobson, who is known for rapid but disciplined and successful development of vastly differing projects, each presenting unique processing challenges, Collis’ skills and reputation have augmented Kimberley’s profile.

Over the past four months several parties have brought their rare earths projects to KRE’s attention in hope of development assistance.

“We are ‘open for business’ in terms of assessing other projects that could complement Cummins Range, primarily in Australia, but would consider others outside of Australia, and have been doing so,” Dobson confirmed.

“Our intent is to fully grow, define and test Cummins Range and bring it into production and in doing so develop into a specialist rare earths project developer.

“With Cummins Range, we have a superb opportunity to grow a strong, healthy mining business and this is what we’re about right now.



“The recent exponential escalation of rare earths prices has made this project very valuable.”

The value lies in the current tight demand for specific rare earths and expected ongoing, soaring demand for both consumer and green technologies.

Various rare earths are required for the manufacture of crucial component parts, such as small, powerful permanent magnets, within hybrid vehicles and electronic devices including mobile phones, medical scanners, televisions, DVD and MP3 players.

The consumer economies within BRIC (Brazil Russia India China) nations are expected to expand significantly and with China curtailing exports of its own rare earths resources, KRE appears set to benefit from growing manufacturing demand for alternative quality sources.

Dobson said expanding green technologies provided an important market. “For example, wind turbines with amazingly large blade rotation diameters also require rare earths for the massive magnets which are used in their direct-drive systems,” he said.

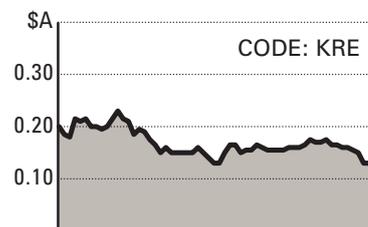
“The rare earths market is on a long-term uptrend and given supply and demand forecasts from a range of sources, I would expect to see prices remain strong for the foreseeable future.”

On KRE’s medium-term forecast Dobson said: “In five years I would expect to see Cummins Range committed to production, with probably several other projects in various stages of development.”

In the shorter term, KRE expects to release initial drill results within weeks and reward investors’ faith with an updated Cummins Range resource estimate by the end of November. – **Susan Bower**

The Cummins Range resource measures 4.17Mt at 1.72% rare earth oxides, 11% P₂O₅ and 187ppm U₃O₈

KIMBERLEY RARE EARTHS AT A GLANCE



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MARKET CAPITALISATION

\$A14.44 million (at press time)

QUOTED SHARES ON ISSUE

125,584,300

MAJOR SHAREHOLDERS

JP Morgan Nominees Australia 10.01%
Navigator Resources 8.85%
Citicorp Nominees 3.92%
HSBC Custody Nominees (Australia) 2.62%