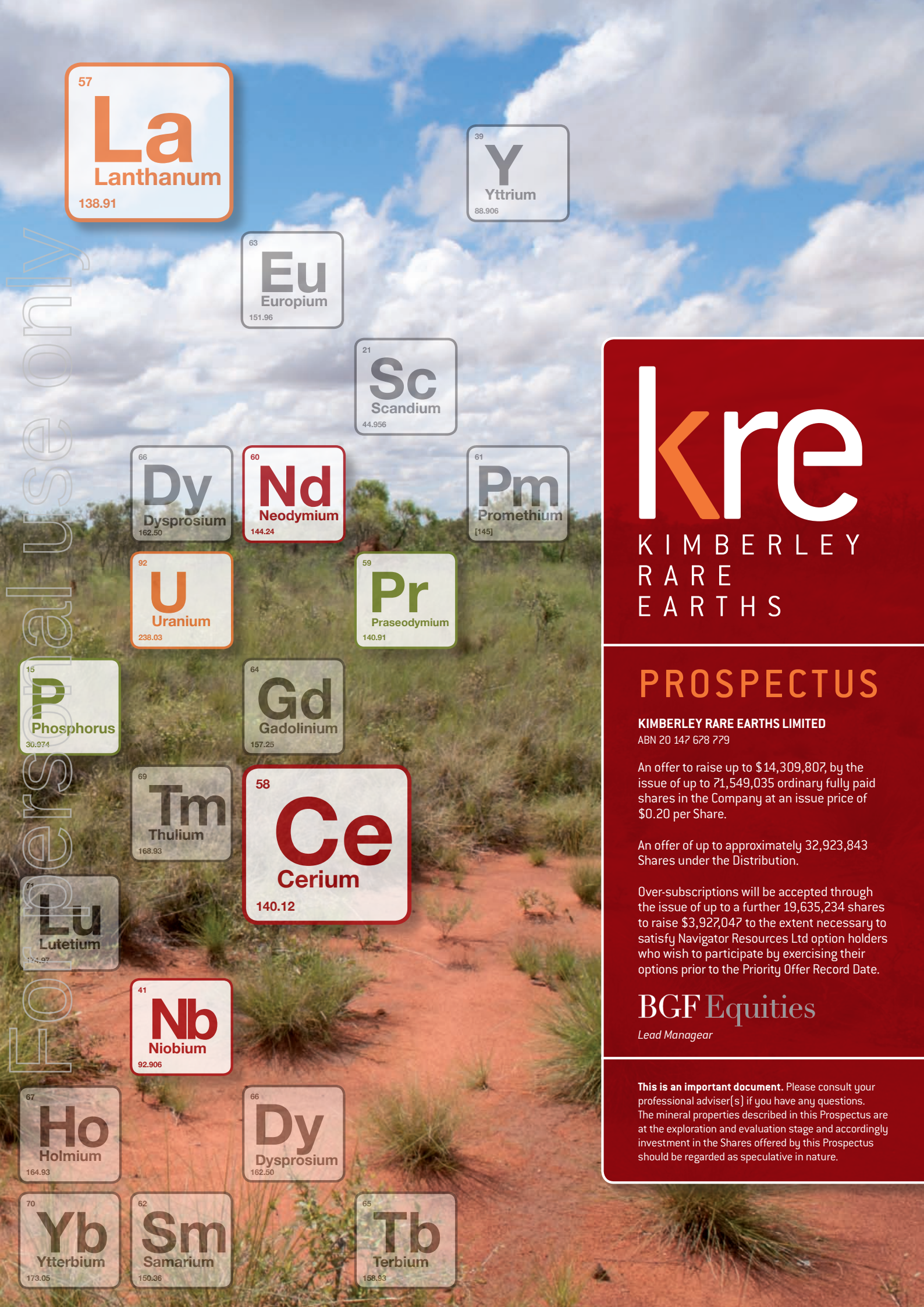


kre

KIMBERLEY RARE EARTHS

PROSPECTUS

KIMBERLEY RARE EARTHS LIMITED
ABN 20 147 678 779

An offer to raise up to $14,309,807, by the issue of up to 71,549,035 ordinary fully paid shares in the Company at an issue price of $0.20 per Share.

An offer of up to approximately 32,923,843 Shares under the Distribution.

Over-subscriptions will be accepted through the issue of up to a further 19,635,234 shares to raise $3,927,047 to the extent necessary to satisfy Navigator Resources Ltd option holders who wish to participate by exercising their options prior to the Priority Offer Record Date.

BGF Equities
Lead Managear

This is an important document. Please consult your professional adviser(s) if you have any questions. The mineral properties described in this Prospectus are at the exploration and evaluation stage and accordingly investment in the Shares offered by this Prospectus should be regarded as speculative in nature.

CORPORATE DIRECTORY

Directors	Ian Macpherson - Non Executive Chairman Allan Trench - Non Executive Director Gerry Kaczmarek - Non Executive Director Peter Rowe - Non Executive Director
Company Secretary	Darren Crawte
Principal Place of Business	c/- Navigator Resources Ltd Ground Floor 45 Richardson Street West Perth, WA 6005
Lead Manager	BGF Equities Pty Limited Level 4 75-77 Flinders Lane Melbourne VIC 3000
Solicitor to the Offer	Fairweather Corporate Lawyers Ground Floor 1 Havelock Street West Perth WA 6005
Independent Geologist	SRK Consulting Level 1, 10 Richardson Street West Perth WA 6005
Independent Solicitor Reporting on Tenements	Fairweather Corporate Lawyers Ground Floor 1 Havelock Street West Perth WA 6005
Auditor and Independent Accountant	HLB Mann Judd Level 4, 130 Stirling Street Perth WA 6000
Share Registry	Advanced Share Registry 150 Stirling Highway Nedlands WA 6009

Investment Highlights

This information is a selective overview only. Investors should read the Prospectus in full including the experts' reports in this Prospectus before deciding whether to invest in Shares.

- Kimberley Rare Earths Limited (**KRE**) is an Australian company incorporated on 2 December 2010 and is a wholly owned subsidiary of ASX listed gold producer, Navigator Resources Limited (**Navigator**).
- KRE offers exposure to the rare earth (REE) sector with an existing Inferred Resource, access to an advanced exploration target with demonstrated REE mineralisation and that has immediate drill targets defined. As a consequence, Bloomberg, in December 2010, included Navigator within its Rare Earth Mineral Resources Index (BNREMRS:IND)
- REE demand is dominated by consumption in magnets and phosphors. The projected adoption of various electric vehicle and wind turbine technologies is likely to significantly increase REE demand.
- REO prices have increased strongly in 2009 and 2010, in the process out-performing comparable prices increases amongst the major metals markets in percentage terms.
- The Cummins Range Project comprises 1 granted exploration licence (80/2232) with an area of 48.5km^2 within which is contained an independently estimated JORC Compliant Inferred Resource (the **Resource**) of 4.17Mt at an average grade of 1.72% TREO (total rare earth oxide) for 71,700 tonnes TREO, 11.0% P_2O_5 and 187ppm U_3O_8.
- Cummins Range has significant advantages in terms of waste:ore ratio, environment and location.
- KRE has entered into an agreement with Navigator to:
    - acquire an initial 25% in Navigator's Cummins Range rare earths project,
    - acquire a further 30% by sole funding exploration of $10m over 4 years; and
    - acquire up to 80% by delivering a Bankable Feasibility Study.
- Eligible Navigator shareholders will be entitled to:
    - participate in the Priority Offer on the basis of 1 KRE share for each 10 Navigator shares held by Navigator Shareholders on 4 April 2011 (the **Priority Offer Record Date)**; and
    - subject to Navigator Shareholder approval, an in specie return of capital under the Distribution in the form of 1 KRE share for each 20 Navigator shares held by Navigator Shareholders on 16 May 2011 (the **Distribution Record Date**).
- The KRE Board collectively have significant experience in exploration, mining, mineral processing, commodities marketing and finance. It comprises current Navigator representatives and an independent non executive director, Peter Rowe. The Board has engaged specialist recruitment advisers to secure an executive team with the appropriate experience to develop the Cummins Range Project.

Conditional Offer

The Distribution is subject to approval by Navigator Shareholders at a General Meeting.

Risks

Prospective investors should read this Prospectus in its entirety and, in particular, before deciding on whether to apply for Shares under this Prospectus, consider the risk factors set out in section 10, which include:

- **Non-renewal of title**
  The Company's sole asset consists of a 25% interest (with rights to earn up to 80%) of the Tenement, an exploration tenement granted on 4 May 2001. Under Western Australian law, exploration tenements granted prior to 10 February 2006 have a term of five years, and the Minister for Mines and Petroleum may extend the term for two further periods of one or two years and thereafter further periods of one year. The Tenement was granted on 4 May 2001 and expires on 3 May 2011.

  Navigator (as the tenement holder) has applied for an extension of one year and has no reason to believe that the Tenement will not be extended for that period on its current terms.

- **Management**
  The Company's management presently consists of 4 non-executive Directors and a Company Secretary. The Directors have retained an executive search consultant and are confident of appointing a chief executive officer shortly. In the meantime, the Company intends to appoint a reputable consultant to manage its exploration activities.

- **Speculative nature of investment in an exploration company**
  Mineral exploration is a high risk activity, with no guarantee of success.

- **Commodity and currency price volatility**
  Commodity prices are subject to influencing factors beyond the control of the Company and significant fluctuations that could have a materially adverse effect on the Company's operations and its financial position.

- **Environmental risks**
  Mining is an industry that has become subject to increasing environmental responsibility and liability. The potential for liability is an ever present risk.

- **Exploration, development, mining and processing risks**
  There can be no assurance that exploration of the project areas described in this Prospectus, or any other projects that may be pursued in the future, will result in discovery of an economic mineral deposit.

Further detail on the Risk Factors is set out in Section 10 of this Prospectus. Potential investors should consider that an investment in the Company is highly speculative and consult their professional advisors before deciding whether to apply for Shares offered under this Prospectus.

CONTENTS

IMPORTANT NOTICE

This Prospectus is dated 14 March 2011 and was lodged with the ASIC on that date. No Shares will be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Neither the ASIC nor ASX take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue this Prospectus.

It is important that you read this Prospectus carefully, in its entirety, and seek professional advice where necessary before deciding to invest in the Company. In particular, in considering the prospects for the Company, you should consider the risk factors that could affect the performance of the Company. The Offer does not take into account your investment objectives, financial situation and particular needs. Accordingly, you should carefully consider the risk factors in light of your personal circumstances and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding whether to invest. The Shares the subject of this Prospectus should be considered speculative.

No person is authorised to provide any information or make any representation in connection with the Offer contained in this Prospectus which is not contained in this Prospectus.

WEB SITE – ELECTRONIC PROSPECTUS

A copy of this Prospectus may be downloaded from the Company's website at www.kimberleyrareearths.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia. Persons who access the electronic version of this Prospectus should ensure that they download and read the entire Prospectus.

The Corporations Act prohibits any persons passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any persons may obtain a hard copy of this Prospectus free of charge by contacting the Company Secretary, Darren Crawte by telephone on (08) 9463 2463 during normal business hours.

EXPOSURE PERIOD

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. Potential investors should be aware that this examination may result in the identification of deficiencies in the Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act.

Applications for Shares under this Prospectus will not be accepted by the Company until after the expiry of the Exposure Period. No preference will be conferred on persons who lodge applications before the expiry of the Exposure Period.

GLOSSARY

Certain terms and abbreviations used in this Prospectus have defined meanings which are explained in the Glossary at the end of the Prospectus.

Chairman's Letter

Dear Investor,

On behalf of the Directors of Kimberley Rare Earths Limited (**KRE** or the **Company**), I am pleased to invite you to subscribe for Shares at an issue price of $0.20 each under this Prospectus.

KRE has been formed to allow the appropriate financial, manpower and technical resources to be dedicated to advancing the Cummins Range rare earths project and to allow Eligible Navigator Shareholders continued exposure to the rare earths sector through the Priority Offer and Navigator's proposed Distribution of KRE Shares.

KRE offers investors an opportunity to participate in an advanced exploration project in the rapidly emerging rare earths sector. KRE will, subject to certain conditions, acquire an immediate 25% ownership of the Cummins Range Project from its parent, Navigator, with the opportunity to earn an additional 30% interest with expenditure of $10 million in exploration over a four year period to obtain a majority 55% interest. KRE will then have the right to earn up to an 80% interest in the Project through the completion of a feasibility study in bankable form.

The Company will issue approximately 35 million Shares to Navigator in consideration for its initial 25% interest in the Cummins Range Project. Under the Distribution, and subject to approval by Navigator's shareholders, a majority of these Shares will be distributed to Eligible Navigator Distribution Shareholders on the basis of 1 KRE Share for every 20 Navigator Shares held on the Distribution Record Date.

KRE is seeking to raise up to $14.3 million through the issue of up to approximately 71.5 million Shares at $0.20 each with oversubscriptions of a further approximately 19.6 million Shares, depending on the number of Navigator Shares on issue on the Priority Offer Record Date. The funds raised will be used to develop the Cummins Range Project.

Located some 130 kilometres southwest of Halls Creek in the East Kimberley Region of northern Western Australia, the Cummins Range Project contains a near-surface Resource with the potential advantage of a low waste:ore ratio.

Navigator applied for the ground covering the Cummins Range area in the late 1990s and completed detailed aeromagnetic surveying and compilation of previous exploration date prior to a drilling campaign in 2007 to assess the potential of the carbonatite to host REE mineralisation. Based on the 2007 drilling, Navigator announced a JORC Compliant Inferred Mineral Resource estimate for the Cummins Range Project as follows:

Inferred Mineral Resources for the Cummins Range Project presented at three different cut-off grades

COG	Tonnage	TREO	P2O5	U3O8	Th
% TREO	Mt	%	%	ppm	ppm
3.00	0.32	3.705	13.29	369	56
2.00	1.09	2.789	11.98	299	50
1.00	4.17	1.719	10.97	187	41

Note: COG = Cut-off Grade; TREO = Total rare earth oxides including yttrium; Mt = Million Tonnes; ppm = parts per million; U3O8 = uranium oxide; P2O5 = phosphorus pentoxide; Th = Thorium. Table reproduced from SRK (2011)

The area covered by the existing Resource offers the best target for exploration success, where a northwest high-grade REE trend remains open beyond the extent of current drilling. Previous mineral resource estimations are appropriate to the level of understanding at this time, but increased confidence in the resource will require additional drill testing.

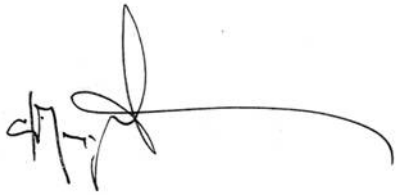
In the opinion of the Independent Geologist, SRK Consulting:

"there is considerable potential to extend the currently known resource and to identify additional mineralisation within the Cummins Range carbonatite and potentially elsewhere within the tenement."

Following the successful listing of KRE on the ASX, the Board of KRE are confident that the combination of a quality project, a highly skilled team, and the support of Navigator as an ongoing shareholder and partner in the Project, will enable these objectives to be achieved.

This Prospectus includes details of the Company, the Project and proposed exploration and assessment activities. There is also a statement of risks associated with investing in the Company that every person interested in investing in KRE should read and understand. Please ensure that you obtain independent professional advice if you do not understand any of the risks.

I look forward to welcoming you as a shareholder of Kimberley Rare Earths Limited.



Ian Macpherson
Chairman

1 INVESTMENT SUMMARY

1.1 Important notice

This section is not intended to provide full information for investors intending to apply for Shares offered under this Prospectus. The Prospectus should be read and considered in its entirety.

1.2 Company Overview and Objectives

The Company will, subject to successful completion of the Offer and listing on ASX, acquire a 25% interest in the Cummins Range Project from Navigator. Under the Offer, the Company is seeking to raise funds to secure a further 30% of the Project by spending $10 million over a four year period. KRE may acquire a further 25%, to take its interest to 80%, by delivering a Bankable Feasibility Study.

The Project is located in the East Kimberley, Western Australia, and formed part of Navigator's initial public offering in 2003. Navigator has identified a high grade REO JORC compliant Inferred Resource at the Cummins Range Project and is now seeking to provide Eligible Navigator Shareholders and new shareholders an opportunity to participate directly in a separate entity dedicated to developing a rare earths project.

The strategic objectives of the Company are to:

(a) create Shareholder value by materially advancing the scale, geological and metallurgical understanding of the Cummins Range rare earths deposit, initially through drill-focused exploration aimed at increasing the size of the JORC compliant resource at the Project. The Company considers that geological potential exists to increase resources at the Cummins Range Project;

(b) build the value of the Project by undertaking metallurgical test work studies targeting the test-scale production of rare earth metal concentrates. Such metallurgical studies will assist the Company with a preliminary understanding of the scoping-level economics of producing saleable rare earth products from Cummins Range; and

(c) assess and, if warranted, acquire other rare earths projects that have potential to add value to the Company.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

1.3 Project Highlights

The Cummins Range Project is located 130km southwest of Halls Creek in the East Kimberley region of Western Australia. The project is on the northern margin of the Great Sandy Desert and comprises one granted Exploration Licence (E80/2232) with an area of 48.5 square kilometres.

Navigator applied for the Tenement in October 1996 and the application was granted in May 2001.

The REO-uranium-phosphate mineralisation at Cummins Range is up to 50m in thickness and occurs in a sub-horizontal geometry within a deeply weathered regolith which is developed over carbonatite and pyroxenite rocks. The deposit contains a mix of light rare earths and has low thorium levels.

An initial drilling program, completed in 2007 by Navigator, consisted of 93 RC drill holes for 9,293m over an area of approximately 500m (north-south) by 400m (east-west). This area

represents only a small portion of the Cummins Range diatreme and there is good potential to expand the size of the Resource with further exploration. A northwesterly trend of higher grade mineralisation has been noted within the main zone. This trend remains open in the northwest portion of the Resource and is an obvious area to test for extensions to the existing Resource during future drilling programs.

The Cummins Range Project has an independently estimated Inferred Resource of 4.17Mt at an average grade of 1.72% TREO (total rare earth oxide) for 71,700 tonnes TREO, 11.0% P2O5 and 187ppm U3O8.

COG	Tonnage	TREO	P_2O_5%	U_3O_8	Th
% TREO	Mt	%	%	ppm	ppm
3	0.32	3.705	13.29	369	56
2	1.09	2.789	11.98	299	50
1	4.17	1.719	10.97	187	41

Note: COG = Cut-off Grade; TREO = Total rare earth oxides including yttrium; Mt = Million Tonnes; ppm = parts per million; U3O8 = uranium oxide; P2O5 = phosphorus pentoxide; Th = Thorium. Table reproduced from SRK (2011)

Table 1.1: Inferred Mineral Resources for the Cummins Range Deposit presented at three different cut-off grades

Mineral resources for the Cummins Range Project have been estimated by Hellman and Schofield Pty Ltd (Hellman, 2009) and published by Navigator on 17 September 2009 in an announcement to the ASX (Navigator, 2009). Dr Phillip Hellman, of Hellman and Schofield Pty Ltd, is listed as the Competent Person for the published Resource.

1.4 Key Risks

Key risks associated with investing in the Company are outlined in Section 10. Investors should read Section 10 carefully before deciding whether to invest in the Company.

1.5 Distribution

Under the Sale Agreement, Navigator will sell to the Company a 25% interest in the Cummins Range Project in consideration for 34,399,998 Shares and 3,000,000 Options. See Section 11.3 for details of the agreement.

Subject to Navigator Shareholders approving the in specie distribution of most of the Shares to be issued to Navigator under the Sale Agreement, Navigator will distribute these Shares to Eligible Navigator Distribution Shareholders, on the basis of 1 Share for every 20 Navigator Shares held on the Distribution Record Date (**Distribution**).

The Distribution is conditional upon, amongst other things, Navigator Shareholders approving the Distribution at a meeting of Navigator Shareholders to be held on 6 May 2011 and ASX admitting the Company to the Official List.

No funds will be raised by the Distribution.

Pursuant to the Notice of Meeting, Navigator is inviting its shareholders to vote on the Distribution. The invitation to vote constitutes an offer to transfer KRE Shares for the purposes of section 707(2) of the Corporations Act. Accordingly Navigator lodges this Prospectus for the purposes of effecting the Distribution with disclosure and in accordance with ASIC Regulatory Guide 188. Navigator Shareholders should refer to the Notice of Meeting, a copy of which has been lodged with ASIC and may be obtained free of charge by contacting Navigator during normal business hours, for details of the Distribution.

Under ASIC Class Order 07/10 ASIC has given technical relief from compliance with certain provisions of the Corporations Act for reconstructions and capital reductions. Navigator relies on ASIC Class Order 07/10 to make the offer under the Distribution without an application form and the restrictions from advertising and publishing the offer under the Distribution.

Entitlements to participate in the Distribution will be rounded to the nearest share.

1.6 Key Dates

Lodgement of Prospectus	14 March 2011
Public Offer Opens	22 March 2011
Priority Offer Record Date and Opening of Priority Offer	4 April 2011
Dispatch Prospectus and Notice of Meeting to Navigator Shareholders	5 April 2011
Priority Offer Closing Date (5.00pm WST)	21 April 2011
Public Offer Closing Date (5.00pm WST)	5 May 2011
Navigator Shareholder meeting to approve the Distribution	6 May 2011
Allotment of Shares under this Prospectus (anticipated)	13 May 2011
Distribution Record Date	16 May 2011
Trading of Shares to commence on ASX (anticipated)	18 May 2011
Proposed date to effect the Distribution	Within 1 month of listing

The above dates are indicative only and may vary, subject to the Corporations Act and ASX Listing Rules. The Company reserves the right to change the key dates of the Offer or Distribution without prior notice which may have a consequential impact on other dates.

1.7 Use of Funds

The Company intends to apply the funds raised from the Offer as follows:

Budget Expenditure	Minimum Subscription ($8.5 million)		Target Subscription ($14.3 million)		Over Subscriptions [4] ($18.2 million)	
	Year 1 ($)	Year 2 ($)	Year 1 ($)	Year 2 ($)	Year 1 ($)	Year 2 ($)
Costs of the Offers[1]	560,000	-	740,000	-	860,000	-
Exploration program for Cummins Range[2]	2,115,000	3,560,000	2,115,000	3,560,000	3,000,000	5,175,000
Administration[3]	750,000	750,000	750,000	750,000	750,000	750,000
Total	**3,425,000**	**4,310,000**	**3,605,000**	**4,310,000**	**4,610,000**	**5,925,000**

Table 1.2: Use of Funds

[1] This represents only the cash costs of the Offers, a portion of which has been advanced by Navigator under a loan agreement (which is set out in Section 1.1(a)(d)). As per the Lead Manager Agreement, the Company intends to grant up to 3m Options in consideration for lead manager services.
[2] Details on the intended exploration programs are set out in Section 3 of the Prospectus.
[3] These expenses include wages, bonuses and superannuation of employees and directors, rent and outgoings, accounting fees, legal fees, ASX listing fees, auditing fees, insurance, share registry fees, travel expenses and all other items of a general nature.

[4] The extent of over-subscriptions accepted by the Company will depend on the number of Navigator optionholders who exercise their options prior to the Priority Offer Record Date and take up their entitlement under the Priority Offer. This represents the maximum number of Shares that may be issued assuming all Navigator optionholders exercise all their options prior to the Priority Offer Record Date and take up their full entitlements under the Priority Offer.

The balance of funds left at the end of Year 2 will be used to meet the balance of the Company's minimum commitments under the Joint Venture Agreement and/or to pursue other opportunities and projects that the Company may identify.

The above table is a statement of current intentions as at the date of this Prospectus. As with any budget, intervening events (including exploration success or failure) and new circumstances have the potential to affect the ultimate way funds will be applied. The Board reserves the right to vary the way funds are applied on this basis.

1.8 Capital Structure

The capital structure at completion of the Offer will be as follows:

Issued Share Capital	Minimum Subscription ($8.5m)		Target Subscription ($14.3 million)		Over Subscriptions [2] ($18.2m)	
	Shares No	Shares %	Shares No	Shares %	Shares No	Shares %
Shares on issue as at the date of the Prospectus	2	0%	2	0%	2	0%
Shares to be issued under the Sale Agreement[1]	34,399,998	44.73%	34,399,998	32.46%	34,399,998	27.40%
Priority Offer to Eligible Navigator Shareholders[3]	17,500,000	22.76%	46,549,035	43.94%	66,184,269	52.70%
Public Offer[3]	25,000,000	32.51%	25,000,000	23.60%	25,000,000	19.90%
Total Shares on issue following the Offer	**76,900,000**	**100%**	**105,949,035**	**100%**	**125,584,269**	**100%**

Table 1.3: Capital Structure

[1] Details on the Shares to be issued under the Sale Agreement are set out in Section 11.3a of this Prospectus. .

[2] The extent of over-subscriptions accepted by the Company will depend on the number of Navigator option holders who exercise their options prior to the Priority Offer Record Date and take up their entitlement under the Priority Offer. This represents the maximum number of Shares that will be issued assuming all Navigator option holders exercise all their options prior to the Priority Offer Record Date and take up their full entitlements under the Priority Offer.

[3] The actual ratio of Shares issued under the Priority Offer and the Public Offer may vary depending on the number of Shares applied for under each Offer.

The Company has also agreed to issue 3 million Options to Navigator and up to 3 million Options to the Lead Manager pursuant to this Prospectus, details of which are set out in section 11.5 below.

1.9 Dividend Policy

The Company anticipates that significant expenditure will be incurred in the evaluation and development of the Project. These activities are expected to dominate the two year period following the issue of this Prospectus. Accordingly, the Company does not expect to declare any dividends during that period.

Subject to the Company achieving sustained profitability, the Directors may consider paying dividends, subject to available cash flow and capital requirements allow.

2 DETAILS OF THE OFFER

2.1 Description of the Offer

This Prospectus invites investors to apply for a total of up to 71,549,035 Shares at a price of $0.20 for each Share to raise up to $14.3 million, before costs of the Offer. The Offer consists of a Priority Offer and a Public Offer.

Over-subscriptions will, to the extent necessary to satisfy the entitlements of Navigator option holders who exercise their options prior to the Record Date, be accepted for up to a further approximately 19.6 million Shares to raise a further $3.9 million. The Board cannot accurately predict if, and how many, Navigator options will be exercised.

All Shares offered under this Prospectus will rank equally with existing Shares. Details of the rights attaching to the Shares are set out in Section 11.2 of the Prospectus.

a) Priority Offer

The Company is inviting Eligible Navigator Shareholders to apply under the Priority Offer for 1 KRE Share for each 10 Navigator Shares they hold on the Priority Offer Record Date. Entitlements to participate in the Priority Offer will be rounded to the nearest share.

Eligible Navigator Shareholders may apply for less than their entitlement, even if this results in a non-marketable parcel (a holding of less than $500). Eligible Navigator Shareholders who by virtue of their entitlement will have a non-marketable parcel and who wish to have a marketable parcel, will need to apply for additional Shares under the Priority Offer.

Eligible Navigator Shareholders who wish to subscribe for more Shares than their entitlement under the Priority Offer may do so on the Priority Offer Application Form. The Directors reserve the right to reject any application for additional Shares or allocate fewer Shares than applied for by the Applicant such that the amount of Shares issued under the Priority Offer does not exceed the maximum number of Shares available under the Priority Offer.

Shares not applied for under the Priority Offer will be available under the Public Offer.

b) The Public Offer

The Public Offer is a separate offer under this Prospectus.

The Public Offer is open to public investors including Navigator Shareholders who wish to apply for more than their allocation under the Priority Offer. A minimum of 25,000,000 Shares will be available under the Public Offer, subject to any increase by reason of a shortfall to the Priority Offer. Applicants must apply for a minimum parcel of 10,000 Shares representing a minimum investment of $2,000 in the Public Offer.

The Directors, after consultation with the Public Offer Lead Manager, may reject any Application made under the Public Offer or allocate fewer Shares than an Applicant has applied for.

All application monies are payable in full on application.

2.2 Application for Shares

Applicants should read this Prospectus in its entirety in order to make an informed decision on the prospects of the Company and the rights attaching to the Shares offered by this Prospectus before deciding to apply for Shares. If you do not understand this Prospectus you should consult your stockbroker, accountant or other professional adviser in order to satisfy yourself as to the contents of this Prospectus. The Shares offered by this Prospectus are speculative in nature.

a) Priority Offer

Applications for Shares by Eligible Navigator Shareholders under the Priority Offer must be made using the personalised green Priority Offer Application Form that accompanies this Prospectus.

b) Public Offer

Application for Shares under the Public Offer must be made using the white Public Offer Application Form that accompanies this Prospectus.

Payment for the Shares must be made in full at the issue price of $0.20 per Share. Applications under the Public Offer must be for a minimum of 10,000 Shares and thereafter multiples of 500 Shares. Applications for less than the minimum application of 10,000 Shares (equivalent to $2,000) will not be accepted.

c) Lodgement of Forms

Completed Application Form and accompanying cheques in Australian dollars made payable to "**Kimberley Rare Earths Ltd – Share Offer Account**" and crossed "Not Negotiable" must be delivered by no later than 5.00pm (WST) on the Priority Offer Closing Date or the Public Offer Closing Date to:

By Delivery :	**By Post :**
Advanced Share Registry	*Advanced Share Registry*
150 Stirling Highway	*PO Box 1156*
Nedlands	*Nedlands*
WA 6009	*WA 6909*

The Company reserves the right to extend the Offers or close the Offers early without notice. Applicants are therefore urged to lodge their Application Form as soon as possible.

An original, completed and lodged Application Form, together with a cheque for the application monies, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Application Form. The Application Form does not need to be signed to be a valid application. An Application will be deemed to have been accepted by the Company upon allotment of the Shares.

If the Application Form is not completed correctly, or if the accompanying payment of the application monies is for the wrong amount, it may still be treated as valid. The Directors' decision as to whether to treat the Application as valid and how to construe, amend or complete the Application Form is final. However, an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque for the application monies.

No brokerage or stamp duty is payable by Applicants in respect of applications for Shares under this Prospectus.

2.3 Application Money Held in Trust

All application monies will be deposited into a separate bank account of the Company and held in trust for Applicants until the Shares are issued or application monies returned. Any interest that accrues will be retained by the Company and will not be paid to Applicants.

2.4 Allocation and Allotment of Shares

The Company reserves the right to reject any Application or (subject to the allocation policy set out in Section 2.1) to allocate to any Applicant fewer Shares than the number applied for. The Company also reserves the right to reject or aggregate multiple applications in determining final

allocations. An applicant under the Priority Offer is guaranteed to receive at least their reserved allocation as detailed in Section 2.1, should a valid application be submitted.

In the event an Application is not accepted or accepted in part only, the relevant portion of the application monies will be returned to Applicants, without interest.

The Company reserves the right not to proceed with the Offer or any part of it at any time before the allocation of the Shares to Applicants. If the Offer or any part of it is cancelled, all application monies, or the relevant application monies will be refunded.

The allotment of Shares to Applicants will occur as soon as practicable after ASX grants conditional admission to the Official List, following which statements of shareholding will be dispatched. It is the responsibility of Applicants to determine their allocation prior to trading in the Shares. Applicants who sell Shares before they receive their statement of shareholding will do so at their own risk.

2.5 Minimum Subscription

The Minimum Subscription to be raised under this Prospectus is $8.5 million.

Should the Minimum Subscription not be reached within 4 months after the date of this Prospectus, all applications monies will be returned to Applicants (without interest). The Company believes the Minimum Subscription is sufficient working capital to achieve its objectives as set out in this Prospectus.

2.6 ASX Listing

The Company will apply to ASX within 7 days after the date of this Prospectus for admission to the Official List and for official quotation of the Shares, other than any Shares that the ASX treats as restricted securities as defined in ASX Listing Rules.

If the Shares are not admitted to official quotation within 3 months after the date of this Prospectus, none of the Shares offered by this Prospectus will be allotted or issued. In that circumstance, all Applications will be dealt with in accordance with the Corporations Act.

The fact that ASX may admit the Company to the Official List is not to be taken in any way as an indication of the merits of the Company or the Shares. ASX, its officers and employees, take no responsibility for the contents of this Prospectus.

2.7 Applicants outside Australia

No action has been taken to register or qualify the Shares or the Offers, or otherwise to permit a public offering of the Shares in any jurisdiction outside Australia and the Prospectus does not constitute an offer in any country or place in which, or to any person to whom, it would not be lawful to make such an offer.

The distribution of the Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons who come into possession of the Prospectus should seek advice on and observe any of these restrictions. Failure to comply with these restrictions may violate securities law. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed to enable them to subscribe for Shares.

Intending investors resident outside Australia should first consult their professional advisers as to whether or not governmental or other consents are required, or whether formalities need to be observed to enable them to invest. Intending non-resident investors should also seek advice in respect of the taxation effect of an investment in the Company and dividends that the Company may distribute in the future.

The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all necessary approvals and consents have been obtained.

2.8 CHESS

The Company will apply to participate in the Clearing House Electronic Sub-register System (**CHESS**).

CHESS is operated by ASX Settlement Pty Ltd (**ASPL**), a wholly owned subsidiary of ASX, in accordance with the ASX Listing Rules and the ASX Settlement Operating Rules.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASPL will send a CHESS statement.

2.9 Lead Manager

BGF Equities Limited has been appointed Lead Manager to the Offer. The terms of the appointment are summarised in Section 11.3(e).

No brokerage or commission is payable by Applicants in respect of Shares issued pursuant to this Prospectus.

2.10 Privacy

The Application Form accompanying this Prospectus requires you to provide information that may be personal information for the purposes of the *Privacy Act 1988 (Cth)*. The Company (and its share registry on behalf of the Company) may collect, hold and use that personal information in order to assess your Application, service your needs as a Shareholder and provide facilities and services that you request and to administer the Company.

Access to information may also be provided to the Company's agents and service providers on the basis that they deal with such information in accordance with the Company's privacy policy.

If you do not provide the information requested of you in the Application Form, the Company's share registry may not be able to process your Application or administer your holding of Shares appropriately. Under the *Privacy Act 1988 (Cth)*, you may request access to your personal information held by (or on behalf of) the Company. You can request access to your personal information by telephoning or writing to the Company to the attention of the Privacy Officer.

2.11 Queries

This Prospectus provides information for investors to decide if they wish to invest in the Company and should be read in its entirety. If you have any questions about investing in the Company, please contact your professional adviser.

Enquires relating to this Prospectus or requests for additional copies of this Prospectus may be directed to the Company Secretary on 08 9463 2463.

3 PROJECT OVERVIEW

3.1 Overview of Project

The Company was formed by Navigator on 2 December 2010 with the objective of providing a dedicated listed vehicle through which the proper resources and time could be dedicated to developing the Cummins Range Project, whilst giving current Navigator Shareholders continued exposure to rare earths.

The Cummins Range Project has an existing JORC compliant Resource and KRE is seeking to raise approximately $14.3 million to advance exploration and pre-feasibility studies at the Project.

The resource status of the Project meets the criteria for inclusion on the Bloomberg Rare Earth Mineral Resources Index (BNREMRS:IND) (**Index**)and Navigator has been included on that Index since its launch in December 2010. The Board expects that KRE would replace Navigator on that Index post listing.

3.2 Location/Access

The Cummins Range Project is located 130 kilometres southwest of Halls Creek in the East Kimberley, Western Australia. The Project is on the northern margin of the Great Sandy Desert.

Preferred access to the project from Halls Creek is SE for a distance of 30kms on the well maintained gravel Tanami road (turn-off located approx 20 kilometres south of Halls Creek), to a turn-off located 1.5 kilometres past Ruby Plains pastoral station, thence south west along station tracks for a distance of approximately 90 kilometres. Access in the wet season is limited due to concerns of potential damage to station tracks by the pastoralist, and to creek washouts in some areas.

3.3 Tenement

Navigator currently has a 100% interest in the Tenement, which covers 15 blocks or 48.5 square kilometres. The Tenement was granted on 4 May 2001, with subsequent extensions granted in 2006 and 2008. 50% compulsory partial surrenders were undertaken in 2004 and 2005.

Applications for further extension are made annually in May. Navigator (as the tenement holder) has applied for an extension of one year and has no reason to believe that the Tenement will not be extended for that period on its current terms.

The Tenement is located within the Shire of Halls Creek on the Mount Bannerman SE52-13 (1:250,000) and Bannerman 4359 (1:100,000) map sheets. It overlies two indigenous-owned pastoral leases: Carranya (PL 3114/1155, 76.5%) and Lamboo (PL 3114/1109, 23.5%). The Project area is subject to a Native Title claim (WC99/020) by the Lamboo People. A work clearance survey covering the full area of the Tenement was completed in April 2007. No sites of significance were identified.

To date Navigator's cumulative expenditure on the Tenement is approximately $2.6 million, broken down as follows:

Period Ending	Minimum Commitment	Form 5 Expenditure
3 May 2002	$52,200	$56,568
3 May 2003	$52,200	$54,847
3 May 2004	$52,200	$56,550
3 May 2005	$26,100	$27,406
3 May 2006	$20,000	$21,247
3 May 2007	$50,000	$169,534
3 May 2008	$50,000	$1,667,294
3 May 2009	$70,000	$273,178
3 May 2010	$70,000	$154,777
3 May 2011	$70,000	(to date) $133,908
Total	**$512,700**	**$2,615,309**

Table 3.1: Cumulative Historical Expenditure

3.4 The World Market for Rare Earths

Global Consumption

Rare Earths Elements (**Rare Earths**) underpin a broad set of new materials technologies required to sustain the needs of modern society and is an enabler of the global trend towards energy efficiency through lower energy consumption and emissions. Rare Earths are consumed in compact energy-efficient fluorescent lights and in hybrid vehicles and are used in wind turbines, auto catalytic converters and diesel additives. Furthermore, increasing Rare Earths consumption assists with the global trend towards smaller, yet more powerful, digital technology, such as flat panel displays, disk drives and digital cameras.

The outlook for Rare Earths consumption is considered positive across a suite of end-use segments, including in automotive pollution control catalysts, fluid catalytic cracking (**FCC**) catalysts for petroleum refining, permanent magnets and rechargeable batteries, as future demand grows for conventional and hybrid automobiles, computers, electronics and portable equipment.

Global consumption by end-use segment in 2010 is estimated at 136,000 tonnes of Rare Earths, having a value estimated at US$7.8 billion. Magnets are also the principal end-use by value, estimated at 26%.

End Use Segment	Tonnes Rare Earths Oxides (REO)	%
REO magnets	35,000	26%
FCC catalysts	21,300	16%
Polishing powder	19,100	14%
Battery alloys	18,600	13%
Other metallurgical alloys	11,700	8%
Auto catalysts	9,000	7%
Phosphors	7,900	6%
Glass additives	7,800	6%
Other uses	5,700	4%
Total	**136,100**	

Table 3.2: Global consumption of rare earths by end-use segment

As research and technology continue to advance the knowledge of rare earths and their interactions with other elements, the economic base of the rare earth industry is expected to continue to increase. New applications are expected to continue to be discovered and developed, especially in areas that are considered essential, such as in energy and electronic technology/defence. Selected segments for increased rare earth use include fibre optics, medical applications encompassing dental and surgical lasers, magnetic resonance imaging, medical contrast agents and medical isotopes. Future growth potential is also projected for rare-earth alloys employed in magnetic refrigeration.

Magnets and battery alloys are amongst the strongest drivers of consumption growth. By end-use, annual growth rates are estimated at 15% for battery alloys, 12% for magnets, 10% for polishing powder, 8% for auto catalysts phosphors and other uses, 4% for FCC catalysts and 2% in metallurgical alloys. In total, global rare earth oxides consumption by 2014 is anticipated to increase to around 190,000 tonnes, an overall growth rate of 9% per annum.

Global Supply

China dominates supply in REO, both for its domestic consumption needs and for export. Production originates from iron ore mining at Baotou, in Sichuan and from clay rare earth deposits. China's total production capacity is in the order of 100,000 tonnes per annum, with western capacity in 2010 adding a further 10,000 tonnes. Production in 2010 is estimated to hav been less than global REO consumption.

Chinese export policy has restricted ex-China supply in 2010. For 2011, China has approved 14,446 tonnes of rare earth exports for the first half, down from 22,283 tonnes approved for the first half of 2010. Industry participants anticipate that China's own domestic needs will result in further curtailed Chinese export volumes over the next five years. New western world supply is being fast-tracked into production to meet consumption growth. New producers scheduled to come on-stream include Lynas Corporation from its Mount Weld project in Western Australia and also the recommencement of mine supply from Mountain Pass in the USA. Other future Australian-sourced rare earths may be produced by Arafura Resources and Alkane Resources, from their respective projects at Nolans Bore, Northern Territory and Dubbo, New South Wales. Recycling also contributes to supply on a global basis as a secondary source of REO.

Rare Earths Market & Prices

The sale and purchase of REO concentrates, oxides and value-added products is conducted through confidential party to party contracts and no terminal metals market or exchange exists for rare earth metal trading. Prices that are quoted in the public domain for the various metals should therefore be considered indicative. Specific sale prices reflect a number of factors including product specifications, quality, contract duration, origin of supply and associated supply risks. REO products are typically sold in standard package quantities of between 5 and 20 kilograms.

REO prices have increased strongly in 2009 and 2010, in the process out-performing comparable prices increases amongst the major metals markets in percentage terms. Prices vary significantly between the individual REO products. High value REO products include terbium and europium (March 2011 indicative prices of approximately US$800 per kilogram). Mid-range value REO products include lanthanum and cerium (March 2011 price of ~US$90 per kilogram), and neodymium and praseodymium (March 2011 price of ~US$140-155 per kilogram respectively).

3.5 Summary of Previous Exploration

The Cummins Range carbonatite was discovered in 1977-1978 by CRA Exploration Pty Ltd (CRAE) following the ground inspection of a large, discrete airborne magnetic anomaly (Anomaly B160) located near the junction of the Halls Creek and King Leopold Orogens.

CRAE explored the Cummins Range project for REO between 1978 and 1984 and completed geochemical drilling (auger, RAB, aircore) and limited diamond drilling. The CRAE drilling (Figure 1) was primarily targeted at the Cummins Range carbonatite, but also included limited reconnaissance drilling of several subsidiary magnetic anomalies.

Prospect	Year	Drill Type	Company	Drill Holes	No of Holes	Meters	Mean Depth
Cummins Range Carbonatite							
(Anomaly B160)	1978	Auger	**CRAE**	A001-A044	44	200.8	4.6
	1978	RAB	**CRAE**	R001-R048	48	638.8	13.3
	1982	Aircore	**CRAE**	CR001-CR049; CR053;CR057	51	964.5	18.9
	1983	Aircore	**CRAE**	CC001-CC043	43	1,380.4	32.1
	1984	Diamond	**CRAE**	CDD001-CDD002	2	804.1	402.1
	1984	Percussion	**CRAE**	CWB001	1	54.0	54.0
	2007	Aircore	**NAV**	NAC008-NAC028	21	464.0	22.1
	2007	Reverse Circulation	**NAV**	NRC001-NRC093	93	9,293.0	99.9
Cummins Range Regional							
NAV Regional	2007	Aircore	**NAV**	NAC001-007; NAC029-148	127	4,046.0	31.9

Table 3.3: Cummins Range drill statistics

CRAE discovered significant REO within the Cummins Range carbonatite however follow-up aircore drilling (1982, 1983) was designed primarily for geochemical evaluation rather than grade assessment and was generally shallow (average depth ~25m).

Systematic resource delineation drilling was recommended by CRAE but was not undertaken and the potential for several other metals, including uranium, niobium, tantalum and scandium, was not adequately assessed at the time. Deeper drilling was limited to two diamond drill holes that confirmed the presence of significant rare earth mineralisation over the full extent of the 80m deep oxide zone.

Historical best intercepts are tabled below:

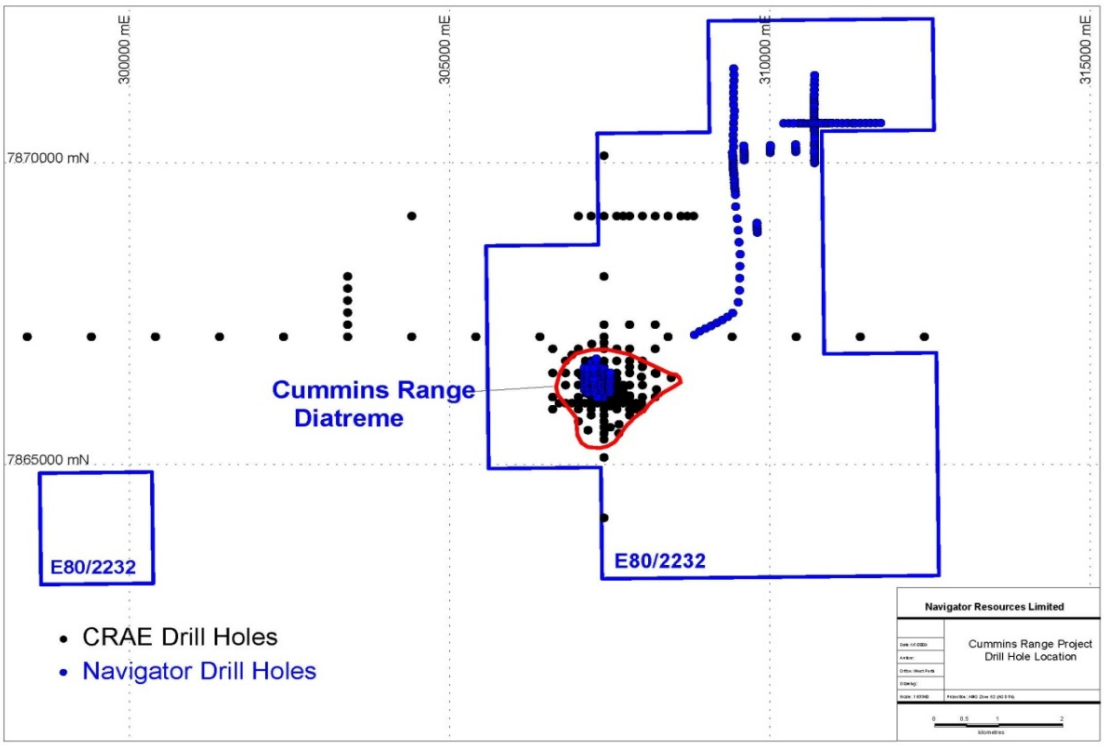


Figure 1 - Cummins Range Drill Hole Layout (CRAE and Navigator Drilling)

Hole ID	Drill Type	AGD84N	AGD84E	From (m)	To (m)	Interval (m)	REO (%) Drill Chip	REO (%) Split Core	P2O5 (%)	U3O8 (lb/t)
CDD001	**Percussion**	7866388	307319	18.0	19.0	**1.0**	**3.44**		10.45	**0.52**
	Percussion			22.0	28.0	**6.0**	**3.67**		5.83	**0.29**
	Percussion			34.0	36.0	**2.0**	**4.08**		14.02	**0.18**
	Diamond			54.1	57.1	**3.0**		**4.54**	20.34	**0.52**
	Diamond			84.1	91.3	**7.2**		**3.37**	21.86	**0.56**
	Diamond			156.0	157.0	**1.0**		**3.81**	4.60	**0.02**
	Diamond			265.0	266.0	**1.0**		**3.30**	8.04	**0.36**
	Diamond			269.0	271.0	**2.0**		**6.72**	7.11	**0.05**
								2m @ 17.40%		
CC001	**Aircore**	7866089	307444	42.0	43.0	**1.0**	**6.48**	**(41-43m)**	8.68	**ns**
CC011	**Aircore**	7866588	307244	26.0	27.0	**1.0**	**3.90**	**ns**	14.18	**ns**
CC018	**Aircore**	7866338	307344	27.0	29.5	**2.5**	**3.81**	**ns**	8.12	**ns**
CC019	**Aircore**	7866338	307394	15.0	16.0	**1.0**	**8.81**	**ns**	26.12	**ns**
CC025	**Aircore**	7866388	307544	1.0	2.0	**1.0**	**3.34**	**ns**	25.66	**ns**
CC029	**Aircore**	7866488	307144	10.0	12.0	**2.0**	**5.96**	**ns**	7.23	**ns**
				16.0	17.0	**1.0**	**4.15**	**ns**	19.27	**ns**
CC031	**Aircore**	7866388	307244	47.0	49.0	**2.0**	**5.83**	**ns**	5.51	**ns**
CC032	**Aircore**	7866338	307244	32.0	33.0	**1.0**	**8.36**	**ns**	9.67	**ns**
				37.0	38.0	**1.0**	**4.15**	**ns**	8.34	**ns**
				58.0	63.0	**5.0**	**4.90**	**ns**	23.39	**ns**
CC036	**Aircore**	7866363	307344	3.0	5.0	**2.0**	**3.84**	**ns**	7.32	**ns**
CC037	**Aircore**	7866378	307344	25.0	26.0	**1.0**	**5.09**	**ns**	34.59	**ns**
CC039	**Aircore**	7866263	307344	18.0	19.0	**1.0**	**4.36**	**1m @ 8.62%**	19.22	**ns**
				26.0	27.0	**1.0**	**3.04**	**ns**	6.07	**ns**
CC040	**Aircore**	7866263	307294	26.0	27.0	**1.0**	**3.22**	**ns**	17.23	**ns**
CC043	**Aircore**	7866246	307463	25.0	26.0	**1.0**	**3.44**	**ns**	23.83	**ns**
				29.0	30.0	**1.0**	**4.37**	**ns**	27.03	**ns**
CR023	**Aircore**	7866288	307244	7.0	8.0	**1.0**	**3.50**	**ns**	ns	**ns**
CR042	**Aircore**	7866188	307444	15.0	16.0	**1.0**	**7.81**	**ns**	ns	**ns**

Note ns = not sampled

Table 3.4: Cummins Range historical rare earth oxide drill intersections

CRAE identified sampling problems with their aircore (AC) drilling and concluded that the REO grades were understated by an unquantifiable amount due to the sampling methodology adopted: - unweighed drill chips were submitted for analysis at 1m intervals but corresponding drill core sticks (unweighed) separated from the same sample interval returned a significant increase in REO grades when assayed.

Based on the available drilling, CRAE estimated a non-JORC compliant REO resource to depths of 50 metres and 80 metres.

CRAE concluded that the REO potential of Cummins Range carbonatite was not adequately tested, and that the grade of the REO resource was unlikely to increase.

Navigator flew a detailed aeromagnetic and radiometric survey in 2002 and in 2004 assessed the potential for PGM mineralisation using an Ural-Alaskan geological model. No significant PGM were encountered after sampling of the CRAE drill core located at the Department of Minerals and Petroleum (DMP) core library in Perth.

In late 2006, Navigator re-evaluated the CRAE REO exploration data, and concluded that there was good scope to undertake further drilling and add value by:

- RC drilling the full extent of the oxide zone to quantify a JORC resource estimate for REO, and to assess the potential of other metals of interest, including uranium, niobium, tantalum, scandium and yttrium; and
- increasing the grade and size of the REO deposit with adequate drill coverage and detailed sampling.

In 2007, Navigator completed 9,293m of reverse circulation (RC) drilling in the central part of the Cummins Range diatreme to establish a REO resource – the drilling was completed on a 50m x 40m drill pattern to a vertical depth of 85m; all drill holes were inclined 60˚ to the south. A 464m aircore drill traverse was also completed for orientation purposes.

Navigator's RC drilling confirmed the presence of REO and uranium at grades and thicknesses not previously encountered by CRAE. The REO-uranium mineralisation is associated with significant niobium, tantalum and phosphate.

Navigator announced a JORC Inferred Mineral Resource estimate of 1.1Mt at 3.5% REO (2% cut-off) based on *preliminary* 4m composite drill samples in March 2008. This Resource estimate was subsequently revised to incorporate the 1m drill sample results and independently re-estimated by Hellman (2009) as 1.1Mt at 2.8% REO (2% cut-off) within a larger JORC Inferred Mineral Resource of 4.2Mt at 1.7% REO (1% cut-off).

3.6 Geology

Regional Geology

The Cummins Range diatreme forms part of an alkaline intrusive complex located close to the junction of the Halls Creek and King Leopold Orogens. The diatreme is coincident with a magnetic anomaly with dimensions of 1.5km x 1.2km, and is interpreted to be a vertical, pipe-like body based on modelling of magnetic data. The alkaline complex intrudes the Olympio Formation sediments and unassigned granite, possibly Sophie Downs Suite (Eastern zone, Halls Creek Group) with no observed structural disruption or contact metamorphism along its margins.

Previous exploration by CRAE focused on the Cummins Range diatreme. In 2007, regional aircore drilling by Navigator to the northeast identified elements of an alkaline intrusive complex (biotitic mafic intrusive rocks) with anomalous levels of REO, P, Y and TiO2.

Local Geology

Outcrop in the Project area is limited and the majority of geological information is based on drill data. Thin sandy cover dominates the terrain with intermittent east-west sand dunes and little defined drainage. The geomorphology limits the effectiveness of soil or stream sampling as a geochemical tool.

The Cummins Range diatreme is composed of pyroxenite intruded by a plug of carbonatite in the central area. The pyroxenite is highly variable in texture and mineralogy, and locally pegmatoidal. Coarsely micaceous pyroxenite surrounds the central carbonatite, reflecting increased carbonate alteration.

Andrew (1990) describes the pipe complex as comprising three broadly concentric lithological zones: (1) an outer zone of unaltered pyroxenite that constitutes 60% of the complex, (2) an inner zone of carbonated mica-rich pyroxenite altered to amphibolite containing numerous steeply dipping carbonate veins, up to 60m thick; and (3) a cental zone of carbonate, weathered to silicified ironstone breccia at the surface.

Carbonate alteration is first manifest as an increase in interstitial carbonate, and minor replacement of pyroxene by amphibole. As alteration increases, pyroxene is progressively veined and replaced by amphibole and chlorite, and the microveins of carbonate become increasingly denser and interstitial carbonate becomes the dominant mineral (Andrew, 1990).

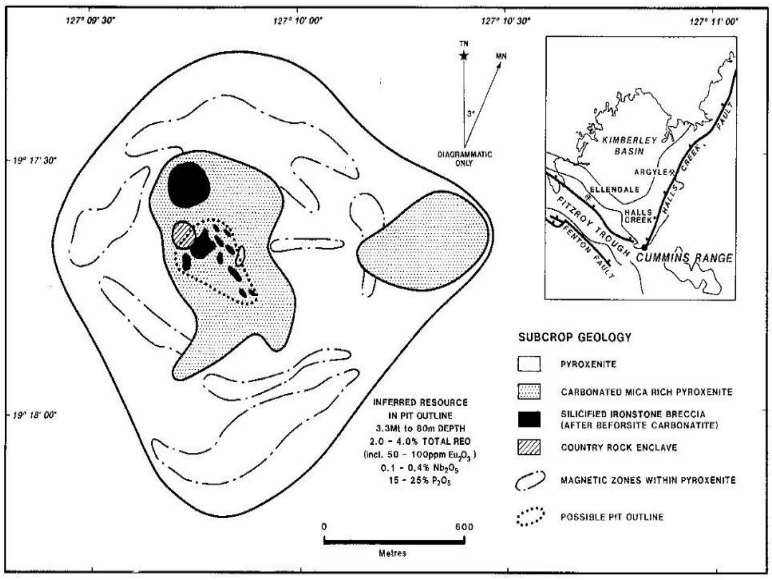


Figure 2 - Interpreted Carbonatite Geology Showing Zoning (Andrew, 1990)

Mineralisation

The Cummins Range rare earth-uranium-phosphate deposit is hosted by deeply weathered, lateritised carbonatite in the central northern area of the Cummins Range diatreme. The Cummins Range Project has a potentially very low strip ration, particularly at the lower cut-off grades.

The REO mineralization is up to 50m thick and is associated with significant uranium, niobium, tantalum and phosphate over a 500m x 400m area. High grade (plus 3% REO) mineralisation occurs in a shallow, sub-horizontal geometry and appears to be continuous within a halo of lower grade (1%-2% REO) material. The deposit is similar in style to the Central Lanthanide Deposit at Mt Weld (WA) and has a similar ratio of light rare earth metals. The geometry of the REO and uranium mineralisation is illustrated on the following figures, which use 4m composite assay data.

Better REO drill intersections based on more recent 1m sample results included:

- 17m at 5.27% REO from 42m (incl. 7m at 7.55% REO), NRC038
- 29m at 4.57% REO from 27m (incl. 5m at 8.04% REO), NRC058
- 20m at 5.55% REO from 2m (incl. 14m at 7.13% REO, or 3m at 19.32% REO), NRC070

Better uranium drill intersections (1m sample results) included:

- 33m at 382ppm U3O8 from 24m, NRC059
- 20m at 919ppm U3O8 from 73m, NRC066
- 35m at 962ppm U3O8 from 27m, NRC058

The surface expression is confined to a few shallow mounds of silicified, ferruginuous collapse breccia. Magnetite crystals 4 to 5cm in diameter can be identified in surface deposits, along with siderite, ferroan dolomite and vermiculite.

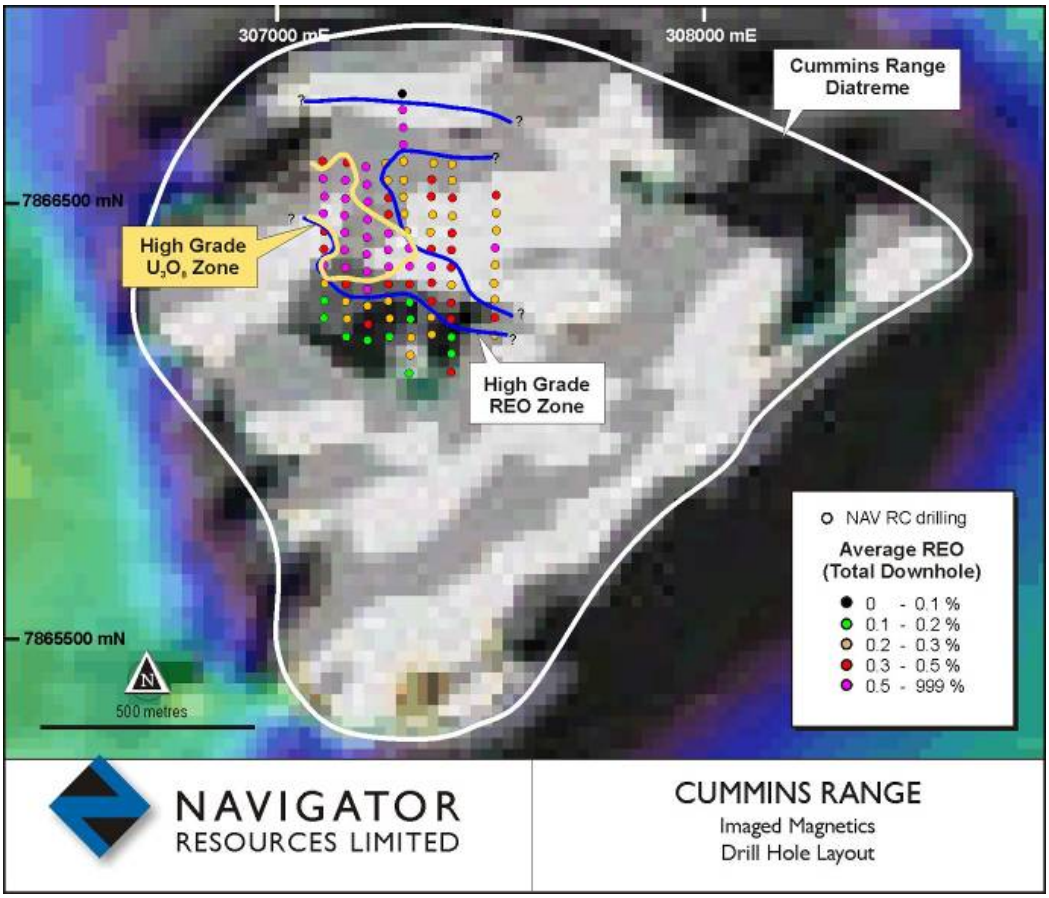


Figure 3 - Navigator's RC Drilling over Imaged Aeromagnetics

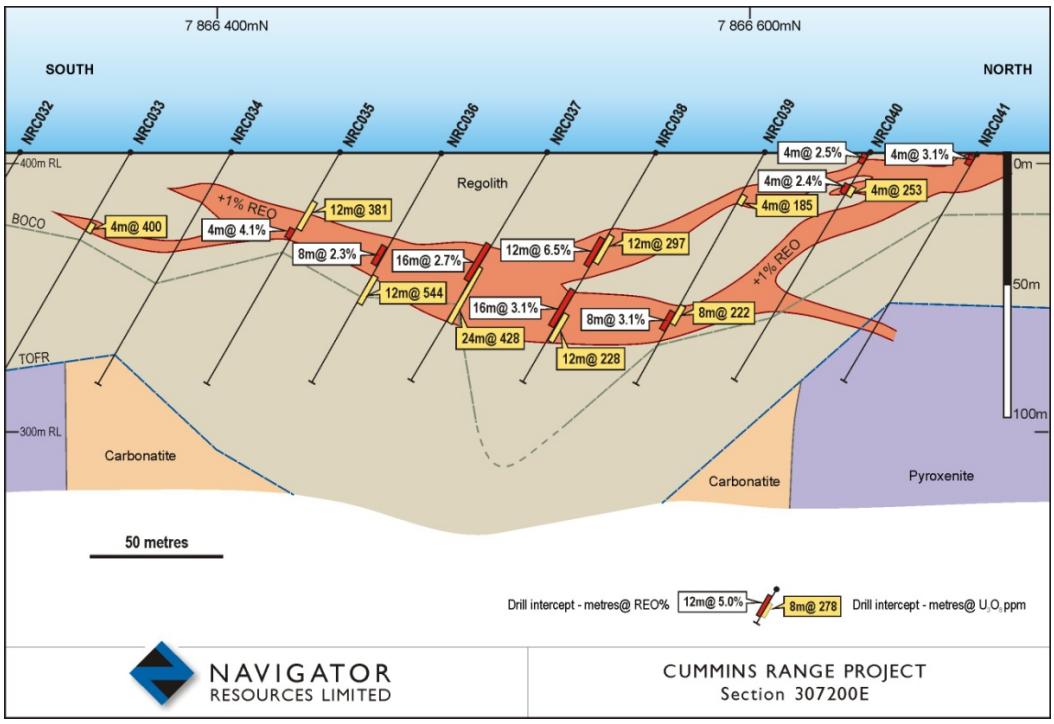


Figure 4 - Cummins Range Cross Section 307200E

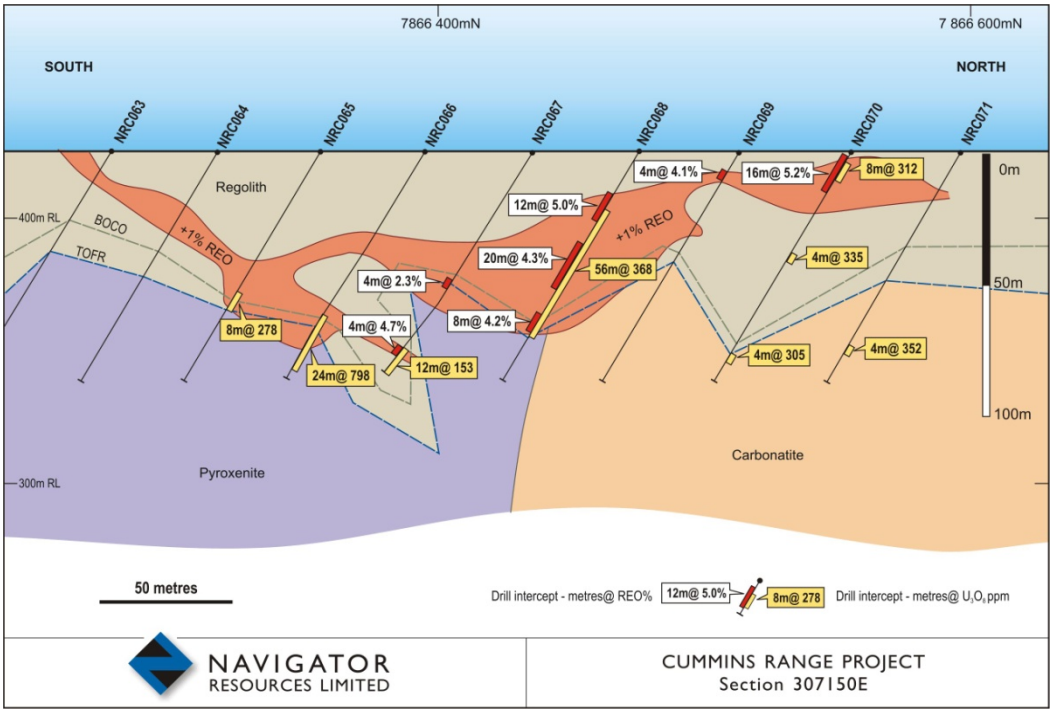


Figure 5 - Cummins Range Cross Section 307150E

The process of deep oxidation, leaching and dissolution of the carbonates has resulted in concentration of the rare earth oxide-bearing phase, monazite; the niobium- and uranium-bearing phase, pyrochlore; and apatite.

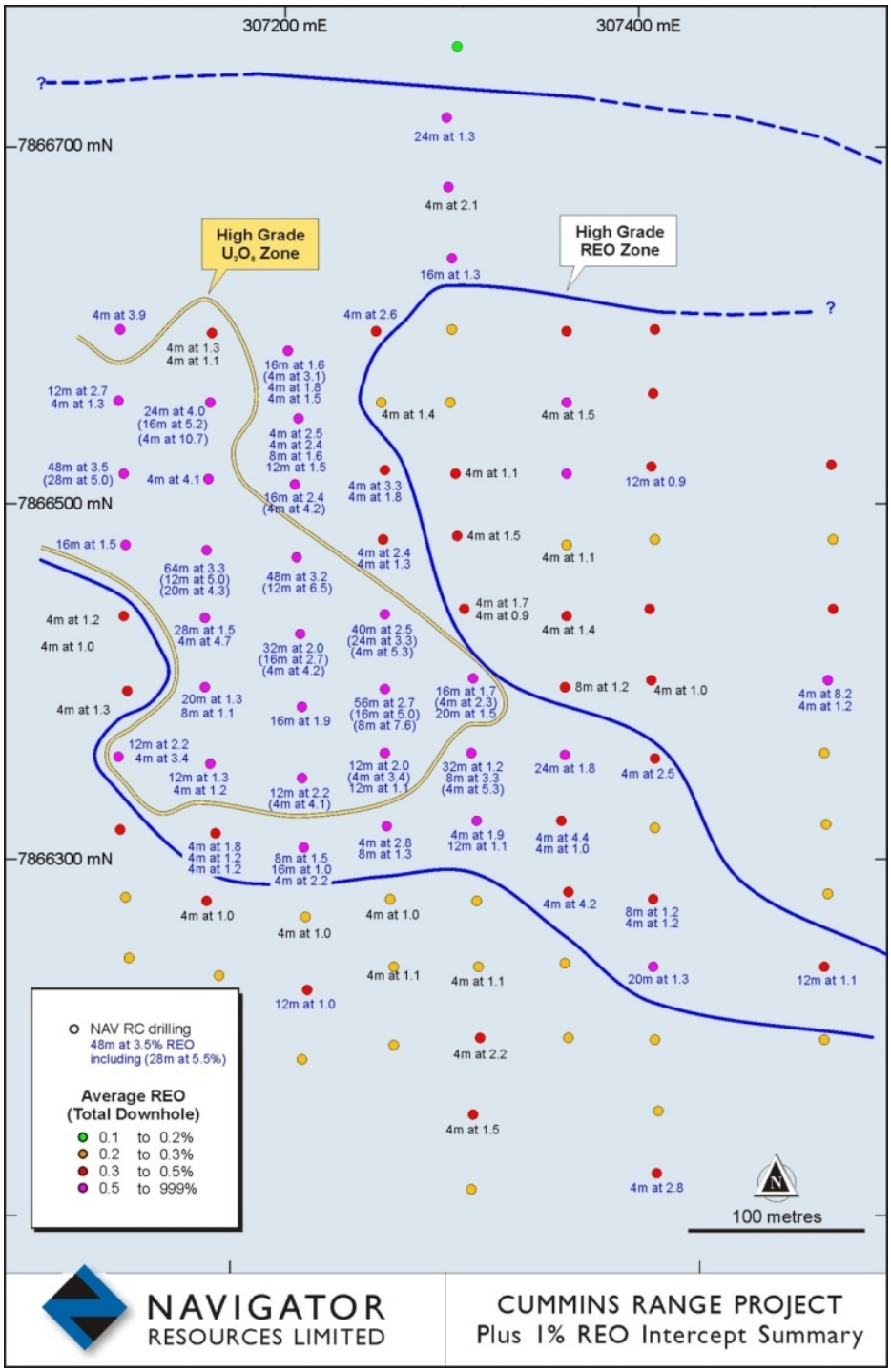


Figure 6 – Plus1% REO Intercept Summary

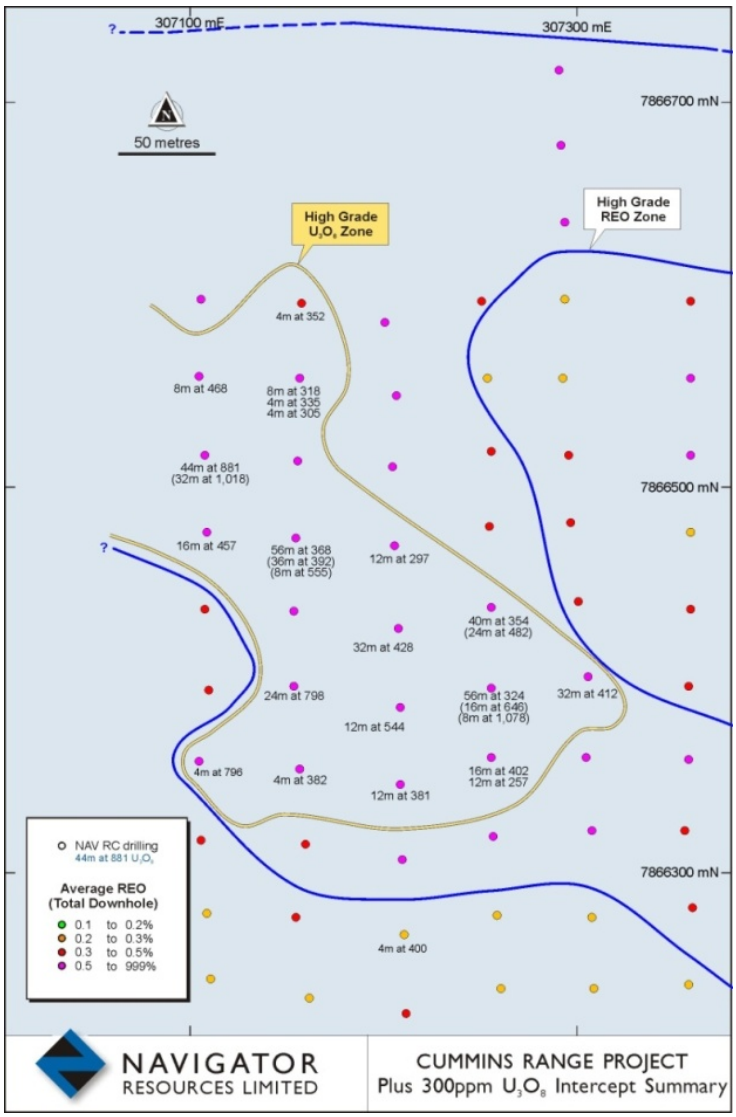


Figure 7 – Plus 300ppm U3O8 Intercept Summary

Resource

Mineral Resources for the Cummins Range Project have been estimated by Hellman and Schofield Pty Ltd (Hellman, 2009) and published by Navigator on 17 September 2009 in an announcement to ASX (Navigator, 2009). Dr Phillip Hellman, of Hellman and Schofield Pty Ltd, is listed as the Competent Person for the published Resources. The Mineral Resources for Cummins Range are presented in Table 3.5 at three different cut-off grades. All Mineral Resources are reported as Inferred Mineral Resources.

COG	Tonnage	TREO	P_2O_5%	U_3O_8	Th
% TREO	Mt	%	%	ppm	ppm
3.00	0.32	3.705	13.29	369	56
2.00	1.09	2.789	11.98	299	50
1.00	4.17	1.719	10.97	187	41

Note: COG = Cut-off Grade; TREO = Total rare earth oxides including yttrium; Mt = Million Tonnes; ppm = parts per million; U3O8 = uranium oxide; P2O5 = phosphorus pentoxide; Th = Thorium. Table reproduced from SRK (2011)

Table 3.5: Cummins Range Inferred Mineral Resource

Selected drill intersections that exceed 0.5% niobium (Nb2O5), based on 1 metre split samples, include the following:

Cummins Range Summary 0.5% and above Niobium (Nb2O5) Intersections												
Hole_ID	Easting	Northing	1 METRE SPLIT SAMPLES									
			From	To	Interval REO	% P_2O_5	ppm U_3O_8	ppm Th	% Nb_2O_5	% Ta_2O_5	% Y_2O_3	ppm Sc
NRC038	307209	7866465	incl 70	81	**11m at 4.97%**	8.8	199	68	0.750	0.015	0.050	323
NRC040	307207	7866546	incl 5	8	3m at 2.4%	9.7	170	66	1.477	0.020	0.059	625
			incl 16	19	3m at 2.7%	27.7	232	76	1.327	0.018	0.065	370
NRC070	307157	7866555	2	22	**20m at 5.55%**	20.8	200	52	0.513	0.009	0.055	225
			incl 18	22	4m at 2.43%	21.9	160	43	0.979	0.013	0.034	259
NRC077	307257	7866395	incl 86	95	9m at 2.3%	22.0	231	40	0.537	0.014	0.027	272
NRC078	307258	7866433	incl 31	34	**3m at 3.34%**	16.2	784	193	0.599	0.071	0.166	429

Table 3.6: Selected Cummins Range Plus 0.5% Niobium (Nb2O5) intersections

Additional drill testing is required and evaluation of the continuity of the niobium mineralisation to determine whether a resource can be estimated.

The average relative mix of light rare earth oxides at the Cummins Range Project is comparable to other well known deposits such as the Mt Weld rare earth project, Western Australia.

Cummins Range has low thorium levels (generally ~50ppm) and thus low background thorium radiation levels compared to most REO deposits.

Cummins Range has significant phosphate mineralisation (11 – 13%) which is comparable in grade with the rare earth-phosphate deposits at Mt Weld and Nolans Bore owned by Lynas Corporation and Arafura Resources respectively. The economic potential of the Cummins Range phosphate mineralization, potentially as a feedstock to phosphoric acid production, and of uranium mineralisation, will be further investigated.

Exploration Potential/Project Upside

The Cummins Range REO Resource remains open along strike and is likely to increase with further drilling.

Drilling stopped at the border of the geophysical anomaly and not the limits of the mineralisation. The high-grade domains of the Resource are present in each of the five westernmost sections – and a clear trend of high-grade REO mineralisation is open to the northwest. Specifically, there are four holes in strong mineralisation to the north that represent an immediate extensional drill target.

The potential for REO, uranium and other metals, including niobium, has not been fully assessed across the entire Cummins Range diatreme. Several areas of anomalous REO, phosphate and niobium have been identified from CRAE's geochemical drilling well away from the Resource in the central core.

3.7 Metallurgy

CRAE conducted some work on less ferruginous material in 1984 and showed that a high grade, REO-rich, low thorium concentrate could be satisfactorily produced with a 50-60% extraction of total REO's using a 90% sulphuric acid leach.

Navigator's preliminary metallurgical work (March 2008) indicates that a combination of magnetic and gravity beneficiation techniques alone would be insufficient to produce a significant level of REO recovery.

Froth flotation, as contemplated at Mt Weld, will be investigated as part of the Project's metallurgical testwork going forward.

3.8 Competent person's statement

The information in this Prospectus that relates to exploration results, mineral resources or ore reserves is based on information compiled by Dr Phillip Hellman who is a Fellow of the Australian Institute of Geoscientists. Dr Hellman has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Hellman consents to the inclusion in the Prospectus of the matters based on his information in the form and context in which it appears.

Investors are referred to the Independent Geologists Report in Section 5 of this Prospectus for a more detailed overview of the Company's projects.

4 PROFILES OF DIRECTORS

IAN MACPHERSON BComm, CA
Chairman and Non-Executive Director

Mr Ian Macpherson graduated from the University of Western Australia with a Bachelor of Commerce in 1977. He commenced his career in commerce in 1978 prior to entering the Chartered Accounting profession. Mr Macpherson was admitted as a partner of the firm that became known as KMG Hungerfords in 1986, having built up a specialist practice in the provision of corporate and financial advice to the mining and mineral exploration industry. In 1987 the firm merged with Arthur Andersen & Co.

In 1990 Mr Macpherson left Arthur Andersen & Co to establish Ord Partners, Chartered Accountants. Mr Macpherson has since specialised in the area of corporate advice with a particular emphasis on capital structuring, equity and debt raising, corporate affairs and Stock Exchange compliance procedures for public companies, both mining and industrial. He has acted in the role of director and company secretary for a number of his clients and has been involved in numerous asset acquisition and disposal engagements involving the preparation of detailed Information Memoranda, pre-acquisition reviews and Independent Reports.

Mr Macpherson is a Member of the Institute of Chartered Accountants in Australia and past member, Executive Council of the Association of Mining Exploration Companies (WA) Inc.

Mr Macpherson currently holds directorships in the following other listed companies:

Company
Navigator Resources Ltd
Nimrodel Resources Ltd
Avita Medical Ltd (formerly Clinical Cell Culture Ltd)
Rubicon Resources Ltd

ALLAN TRENCH B.Sc (Hons. Geology), Ph.D (Geophysics), M.Sc (Mineral Economics), MBA (Oxon) , GAICD and MAusIMM
Non Executive Director

Dr Allan Trench is a geologist/geophysicist and business management consultant with over 20 years experience within the Australian resources sector across a number of commodity groups including gold, copper, nickel, oil & gas and LNG.

Dr Trench commenced his career as an academic at Oxford University before moving to Australia on a Royal Society Research Fellowship. After a period at the University of Western Australia, he joined WMC at their Kambalda nickel and gold operations applying geophysical methods to both exploration and underground mining opportunities. Dr Trench spent five years with WMC including as Exploration Manager in the Leinster-Mt Keith region. He then managed a number of exploration companies before joining McKinsey & Company as a management consultant. In his role at McKinsey, he advised a number of large international resources companies on strategy, organisation and operations issues.

Dr Trench has direct hands-on experience in managing gold assets, including spending 18 months at Australia's largest gold mine, the Golden Mile of Kalgoorlie.

Dr Trench holds directorships in the following other listed companies:

Company
Navigator Resources Limited
Pioneer Resources Ltd (formerly Pioneer Nickel Ltd)
Venturex Resources Ltd (formerly Jutt Holdings Ltd)
Hot Chili Ltd

GERRY KACZMAREK B.Ec (Accounting), CPA, MAICD
Non-Executive Director

Mr. Gerry Kaczmarek graduated from the Australian National University (ANU) with a Bachelor of Economics and Accounting in 1980. He is an accountant and an economist with almost 30 years experience in the resources and minerals processing industry covering projects in Australia and overseas. He was Company Secretary and Chief Financial Officer of Troy Resources NL for 10 years and prior to that, spent seven years each at explorer and miner Burmine Ltd, prior to its merger with Sons of Gwalia. He commenced his career with the base metals division of CRA, now Rio Tinto.

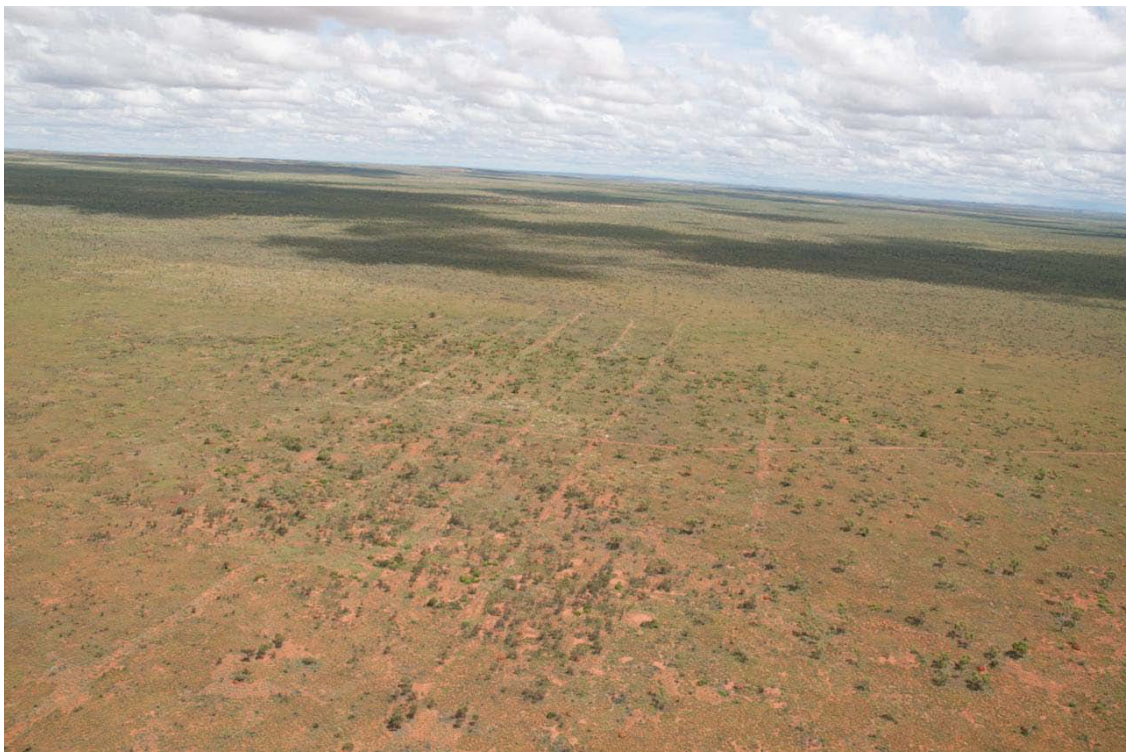
Mr Kaczmarek holds no other directorships of publicly listed companies. He is the Company Secretary of Navigator.

PETER ROWE B.Sc (Chem Eng), FAusIMM, FAICD
Non-Executive Director

Mr Peter Rowe is an engineer with recognised international experience gained over a 35 year career, based mainly in Australia and South Africa. He has managed complex large scale mining and metallurgical operations and projects. Previously, Mr Rowe was the Project Director of the Fimiston Expansion (Kalgoorlie Superpit), General Manager of the Boddington Gold Mine and of the Boddington Expansion Project and Managing Director of Bulong Nickel. In 2004 he headed up AngloGold Ashanti Australia before moving to Johannesburg where he served as an Executive Vice President for AngloGold Ashanti Limited until his retirement in 2009. Mr Rowe also undertakes consulting engagements and has previously provided advice pertaining to the processing of rare earth oxides to other companies.

Mr Rowe holds directorships in the following other listed companies:

Company
Adamus Resources Ltd
Ironclad Mining Ltd
Millenium Minerals Limited



Independent Technical Assessment Report for Kimberley Rare Earths Limited

Report prepared by

SRK Consulting

March 2011

Project Number: NAV001

Independent Technical Assessment Report for Kimberley Rare Earths Limited

NAV001

Document Reference: NAV001_Independent Technical Report_KRE Limited_Rev5.doc

Kimberley Rare Earths Limited
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The Directors
Kimberley Rare Earths Limited
Ground Floor
45 Richardson Street
WEST PERTH WA 6005

Dear Directors,

Kimberley Rare Earths Limited ("KRE"), a wholly owned subsidiary of Navigator Resources Limited ("Navigator") commissioned SRK Consulting (Australasia) Pty Ltd ("SRK") to provide an Independent Technical Assessment Report ("Report") on the Cummins Range Rare Earth Elements ("REE") Project located in the East Kimberley region of Western Australia ("WA"). KRE is proposing to list on the Australian Securities Exchange ("ASX") in the second quarter 2011.

SRK understands that the purpose of this Report is to provide an independent technical assessment for inclusion in a Prospectus to be issued by KRE to support the proposed listing on the ASX. The Prospectus will offer approximately 70,000,000 shares at an issue price of $0.20 per share to raise approximately $14,300,000 before the costs of issue (Prospectus), with a minimum raising of $8,500,000 and allowance for oversubscriptions to approximately $18,000,000. The raising will comprise a Priority Offer to eligible Navigator shareholders and a Public Offer.

It is proposed that Navigator will transfer ownership of 25% of the Cummins Range REE Project to KRE prior to listing in exchange for the issue of shares in KRE. The majority of these shares will then be distributed to eligible Navigator shareholders via an in-specie distribution after the fundraising process has been completed.

Navigator will also grant KRE the right to earn an additional interest in Cummins Range under the terms of a Joint Venture Agreement ("JV"). KRE can earn an additional 30% interest through the expenditure of $10 million on the Project within a four year period and a further 25% by sole funding a bankable feasibility study. KRE will be Manager and Operator of the JV during the earn-in period. Upon successful earn-in under the JV, KRE will have a majority 80%interest in the Project.

KRE proposes to lodge the Prospectus with the Australian Securities and Investment Commission ("ASIC") on or about 11 March 2011.

KRE has advised SRK that it intends spending approximately $5,675,000 of the amount raised on exploration of the Cummins Range REE Project during the first two years following the listing.

1.1 Standard of the Report

This Report has been prepared to the standard of, and is considered by SRK to be, a Technical Assessment Report under the guidelines of the VALMIN Code. The VALMIN Code is the code adopted by the Australasian Institute of Mining and Metallurgy ("AusIMM") and the Australian Institute of Geoscientists ("AIG") and the standard is binding upon all AusIMM and AIG members. The VALMIN Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

The information in this Report that reports to Exploration Results and Mineral Resources is based on information compiled by Bruce Sommerville. Bruce Sommerville is a Member of the AusIMM, and has sufficient experience, which is relevant to the style of mineralisation and the type of deposit under consideration, and to the activity he is undertaking to qualify as a Competent Person in terms of the JORC Code. Bruce Sommerville consents to the inclusion of such information in the report in the form and context in which it appears.

This Report is an Independent Technical Assessment – it is not a Valuation Report and does not express an opinion as to the value of mineral assets, nor to the 'fairness and reasonableness' of any transactions between Navigator or KRE and any other parties.

SRK is responsible for this Report as part of the Prospectus document, and declares that it has taken all reasonable care to ensure that the information contained in this Report is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its impact.

1.2 SRK Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK has no prior association with Navigator in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting its independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the Report.

1.3 Information Basis of this Report

SRK has derived the technical information, which forms that basis of its Report on information provided by Navigator. SRK has supplemented this information where necessary with information from its own extensive regional geological database. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by Navigator prevail in this Report. The past exploration history for these tenements has been derived from previous explorers reports, as provided by Navigator and verified by SRK, as well as government records of exploration activities within the Project area.

The principal sources of information are included in a reference list at the end of the Report. The Report has been prepared to include information available up to the date of this Report. Navigator has stated that all information provided by it may be presented in the Report and that none of the information is regarded as confidential.

1.4 Note on the Tenement Status and Material Contents

The current ownership status and legal standing of the tenements within the project area are dealt with in the Solicitor's Report on Mining Tenements within this Prospectus. SRK has not independently verified ownership and the current standing of the tenements and is not qualified to make legal representations in this regard. Instead, we have relied on information provided by Navigator. SRK has prepared this Report on the understanding that all Navigator's tenements are currently in good standing and that there is no cause to doubt the eventual granting of any tenement applications. SRK has not attempted to establish the legal status of tenements with respect to Native Title or potential environmental and access restrictions.

1.5 SRK and Authors

The SRK Group comprises more than 900 staff, offering expertise in a wide range of resource engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgement issues. The SRK Group has a demonstrated track record in undertaking independent assessments of exploration assets, resources and reserves, project evaluations and audits, competent persons reports, independent audits and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.

This Report was prepared by SRK Consultants Bruce Sommerville, Principal Consultant (Resources) and Zoe Demidjuk, Consultant (Geology). Deborah Lord, Principal Consultant (Geology) reviewed the exploration programmes and budget and undertook internal peer review. All are permanent employees of SRK.

Deborah Lord (BSc Hons, MAIG, MGSA, MSEG) – Principal Consultant. Deborah has over 20 years' experience in the mineral exploration industry and has consulted with SRK for more than a decade based in Australia and South America. Her expertise is in the development of valuation techniques for assessment of exploration assets and the application of these principles in valuation reports to VALMIN standard for release to the ASX and independent technical assessments or due diligence. Deborah completed project management, reviewed the exploration programmes and budgets and undertook internal SRK peer review.

Bruce Sommerville (BAppSc, BSc Hons, MAusIMM) – Principal Consultant. Bruce has over 18 years' experience in geosciences and mine planning roles within small to large underground base metal mining and open pit industrial mineral mining companies. This includes over 10 years in the management, estimation, reconciliation, classification and reporting of Mineral Resources and Ore Reserves in operating mines and projects. Bruce's commodity experience includes copper, lead, zinc, gold, nickel (sulphide and lateritic), iron ore and phosphates. Bruce undertook a site visit on 11 January 2011 and completed the resource review of the Cummins Range REE Project.

Zoe Demidjuk (BSc Hons, MAusIMM) – Consultant. Zoe has consulted with SRK for five years following a four year Bachelor of Science Honours majoring in geology. Zoe has international and Australian experience in exploration geology and project evaluations in a variety of commodities, including iron, gold, nickel, bauxite and coal. She specialises in geological and GIS data compilation and review, exploration geology and targeting, geological and geotechnical core logging, project evaluation and commodity research including REE. Zoe completed the background research for this Report.

1.6 Warranties

Navigator has represented in writing to SRK that full disclosure has been made of all material information in its possession and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

1.7 Indemnities

As recommended by the VALMIN Code, Navigator has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Navigator or to Navigator not providing material information; or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.8 Consents

SRK consents to this Report being included, in full, in the KRE Prospectus, in the form and context in which the Report is provided, and not for any other purpose, and that such consent has not been withdrawn before lodgement of the Prospectus with ASIC.

SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report and Cover Letter.

Yours faithfully
SRK Consulting

Bruce Sommerville BAppSc., BSc (Hons), MAusIMM
Principal Consultant (Resource Evaluation)
Perth, 11 March 2011

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Disclaimer

The opinions expressed in this Report are based on the information supplied to SRK Consulting (Australasia) Pty Ltd ("SRK") by Navigator Resources Limited ("Navigator"). The opinions in this Report are provided in response to a specific request from Navigator to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them. Opinions presented in this report apply to the site conditions and features, as they existed at the time of SRK's investigations, and those reasonably foreseeable. These opinions do not necessarily apply to conditions and features that may arise after the date of this Report, about which SRK had no prior knowledge nor had the opportunity to evaluate.

Statements attributable to third persons

This Report contains statements attributable to third persons. These statements are made in, or based on, statements made in the previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Class Order [CO 07/428] *Consent to quote: Citing trading data and geological reports in disclosure documents and PDS*.

List of Abbreviations

Abbreviation	Meaning
~	approximately
°	degree
$	dollar
%	percent
%ox	percent oxide
±	plus minus
AC	Aircore
AIG	Australian Institute of Geoscientists
ASIC	Australian Securities and Investment Commission
ASX	Australian Securities Exchange
AusIMM	Australian Institute of Mining and Metallurgy
c.	Circa
Ca	Calcium
Ce	Cerium
CeO_3	Cerium oxide
CO_3	Carbonate
COG	Cut-off Grade
CRAE	CRA Exploration Pty Ltd
Dundas	Dundas Gold Corporation NL
Dy	Dysprosium
Er	Erbium
Eu	Europium
F	Fluorine
Gd	Gadolinium
GIS	Geographic Information System
GSWA	Geological Survey of Western Australia
Ho	Holmium
HREE	Heavy Rare Earth Element(s)
HREO	Heavy Rare Earth Oxide(s)
i.e.	That is
IOCG	Iron Oxide Copper Gold
JORC Code	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia (JORC), December 2004.
JV	Joint Venture Agreement
km	kilometres
km^2	kilometre(s) squared
KRE	Kimberley Rare Earths Limited
La	Lanthanum
La_2O_3	Lanthanum oxide

Abbreviation	Meaning
LREE	Light Rare Earth Element(s)
LREO	Light Rare Earth Oxide(s)
Lu	Lutetium
m	metre(s)
m^3	cubic metre(s)
Ma	Million years
mE	metres East
MREO	Medium Rare Earth Oxide(s)
Mt	Million tonne(s)
Navigator	Navigator Resources Limited
Na	Sodium
Nb	Niobium
Nd	Neodymium
NT	Northern Territory
O_3	oxide
P_2O_5	Phosphorus oxide
Pm	Promethium
Pr	Praseodymium
RAB	Rotary air blast
RC	Reverse circulation
REE	Rare Earth Element(s)
REO	Rare Earth Oxide(s)
Report	Independent Technical Assessment Report
RL	Reference Level
Sc	Scandium
SG	Specific Gravity
Sm	Samarium
SRK	SRK Consulting (Australasia) Pty Ltd
Tb	Terbium
Th	Thorium
Ti	Titanium
Tm	Thulium
TREO	Total Rare Earth Oxide(s)
U_3O_8	Uranium oxide
WA	Western Australia
wt%	Weight percent
Y	Yttrium
Yb	Ytterbium
YPO_4	Yttrium phosphate

2. Summary

Kimberley Rare Earths Limited ("KRE") offers the investor an opportunity for exposure to an advanced exploration project in the rapidly emerging rare earth elements ("REE") sector. Through its parent company, Navigator Resources Limited ("Navigator"), KRE will gain the right to a 25% ownership of the Cummins Range REE Project with the opportunity to earn an additional 30% interest with expenditure of $10 million in exploration over a four year period to obtain a majority 55% interest. KRE can earn an additional 25% (bringing its interest to 80%) by sole funding a bankable feasibility study.

KRE landholdings cover a single lease; Exploration Licence 80/2232, granted on 4 May 2001 and the current expiry date is 3 May 2011. KRE has advised SRK that between 2001 and 2011, Navigator Resources' actual exploration expenditure has been $2.59 million compared to a minimum expenditure commitment of $512,700. KRE will be lodging extension of terms documents during March 2011 and are confident that the lease will be renewed before the anniversary date given their exploration expenditure has been some five times the minimum requirement. Nonetheless, SRK notes that KRE strategy relies on a positive outcome to the lease extension.

Located some 130 kilometres ("km") southwest of Halls Creek in the East Kimberley Region of northern Western Australia ("WA"), the Cummins Range Project comprises one granted Exploration Licence which covers 15 blocks or 48.5 kilometres squared ("km^2"). Discovery of the Cummins Range Carbonatite dates to the late 1970's when airborne geophysical surveys identified a discrete magnetic anomaly (approximately 2 km x 1.5 km) that was followed up with limited shallow drilling. Navigator acquired the ground covering the Cummins Range area in the late 1990's and completed more detailed aeromagnetic surveying and compilation of previous exploration prior to a concerted drilling campaign to assess the potential of the carbonatite to host REE mineralisation.

The drilling in 2007 concentrated in the core of Cummins Range Carbonatite over an area of approximately 500 metres ("m") x 400 m and identified a zone of mineralisation corresponding to the oxidized zone above the carbonatite. The mineralisation is up to 50 m in thickness and mainly occurs in a sub-horizontal geometry within a deeply weathered regolith developed over carbonatite, pyroxenite and glimmerite rocks, consistent with derivation from mechanical weathering and deflation of the intrusion. The principal REE minerals are monazite and apatite with high-grade (plus 3% Total Rare Earth Oxides ("TREO")) mineralisation occurring within a halo of lower grade (1%-2% TREO) mineralisation.

Based on the 2007 drilling, Navigator announced Mineral Resource estimates for the Cummins Range project (Navigator, 2009). An independent consulting group estimated the Mineral Resources presented in Table 2-1 at three different cut-off grades. All Mineral Resources are reported as Inferred Mineral Resources. Dr Phillip Hellman of Hellman and Schofield Pty Ltd, is listed as the Competent Person for the published Resources and has prepared detail documentation of the estimate (Hellman, 2009).

Table 2-1: Inferred Mineral Resources for the Cummins Range Deposit presented at three different cut-off grades

COG	Tonnage	TREO	P_2O_5%	U_3O_8	Th
% TREO	Mt	%	%	ppm	ppm
3	0.32	3.705	13.29	369	56
2	1.09	2.789	11.98	299	50
1	4.17	1.719	10.97	187	41

Note: COG = Cut-off Grade; TREO = Total rare earth oxides including yttrium; LREO = Light REO (La-Nd); MREO = Middle REO (Sm-Dy); HREO = Heavy REO (Ho-Lu); Mt = Million Tonnes. Table reproduced from Navigator (2009)

A review of this work was carried out and in SRK's opinion, the Mineral Resource estimate is suitable for the nature and style of the mineralisation and the available data. Considering the limited geological domaining, assumed density and uncertain data quality, classification of the Mineral Resources as Inferred Resources is appropriate.

The drilling completed in 2007 remains open to the northwest and other parts of the carbonatite have limited drill testing to shallow depths. Considerable potential exists to define additional areas of mineralisation within the intrusion. Drilling should be directed at regolith areas developed over the zones mapped as carbonatite, mostly surrounding previous Navigator drilling and an area just to the east of this, where historical drilling may have been too shallow to adequately test the regolith profile.

In addition, a number of other discrete geophysical anomalies previously identified occur on the current licence and are underexplored. In particular a discrete magnetic feature (termed B155) that occurs in the western extension of the tenement around 9 km west-southwest of the central Cummins Range Carbonatite, which is considered by SRK to be of medium priority. Of lower priority is the untested section of the northern ring complex within the main tenement, where limited previous drilling has intersected ultramafic units within this complex.

The Cummins Range Project secured by KRE is considered to be an “advanced exploration area” and is therefore speculative in nature, involving some degree of exploration risk. Further exploration may fail to demonstrate any economic mineralisation. Nevertheless KRE has acquired the mineral tenement on the basis of sound geological concepts and technical merit. The Cummins Range Project is considered to be prospective for REE mineralisation as well as phosphate, niobium and uranium mineralisation, and in SRK’s opinion further exploration is justified at the budgetary levels proposed by KRE.

3. What are Rare Earth Elements?

Rare earth elements (REE, also known as Lanthanides) are a series of fifteen elements with atomic numbers 57 (Lanthanum) to 71 (Lutetium) of the periodic table (Figure 3-1). In order of atomic number, the REE are Lanthanum (La), Cerium (Ce), Praseodymium (Pr), Neodymium (Nd), Promethium (Pm), Samarium (Sm), Europium (Eu), Gadolinium (Gd), Terbium (Tb), Dysprosium (Dy), Holmium (Ho), Erbium (Er), Thulium (Tm), Ytterbium (Yb) and Lutetium (Lu). The elements Yttrium (Y), Scandium (Sc), and occasionally Thorium (Th) have similar properties and occur in similar geological settings as REE or have similar applications and are therefore sometimes included.

The REE are subdivided into the Light REE (LREE, La to Eu) and the Heavy REE (HREE) (Gd to Lu). The HREE are rarer and therefore more valuable.

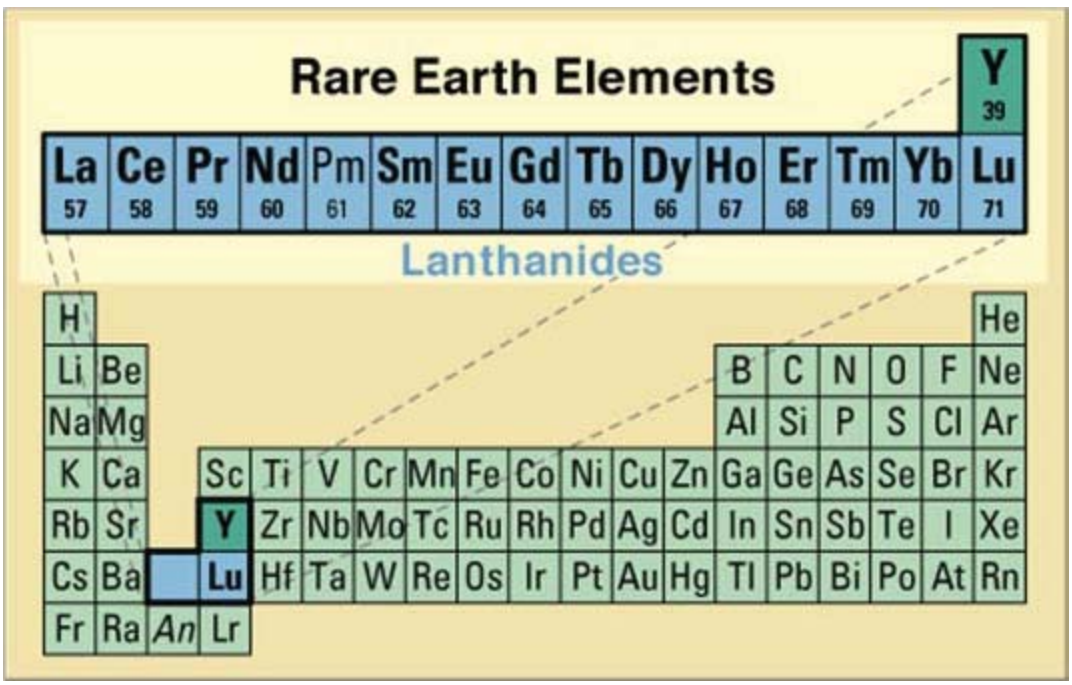

Figure 3-1: Periodic table of the elements outlining REE (provided by Navigator)

The term REE refers to their presence in rare oxides and phosphates, but some of the elements are actually not rare at all (Silberberg, 2003). The most abundant REE, Ce, occurs in the Earth's crust in higher concentrations than Copper and Lead (Castor and Hedrick, 2006). The least abundant of the REE, Tm and Lu occur in the Earth's crust in higher concentrations than Antimony, Bismuth, Cadmium, and Thallium (Hedrick, 2010). However, REE have very little tendency to become concentrated in exploitable ore deposits. Consequently, most of the world's supply of REE comes from only a handful of sources (Haxel et al., 2002; Kanazawa and Kamitani, 2006; Hedrick, 2010).

REE have very similar chemical and physical properties because they all form stable 3+ ions and have similar ionic radii (Rollinson, 1993). Because even atomic number elements are more stable than odd atomic number elements, REE with even atomic numbers have greater cosmic and terrestrial abundances than adjacent REE with odd atomic numbers (Rollinson, 1993). Differences in abundances of the REE in the Earth's upper continental crust therefore results from the inherent difference in cosmic abundance, combined with subtle nuclear (ionic radius) and, to a lesser extent, geochemical differences (Castor and Hedrick, 2006).

The REE are lithophile elements (elements enriched in the Earth's crust) that invariably occur together naturally (are not found as free metals) because all are trivalent (exist as M3+ ions) and have similar ionic radii (Silberberg, 2003; Castor and Hedrick, 2006). The small variations in their chemical properties make the REE difficult to separate (Silberberg, 2003), and some have only been able to be refined in the 1950's (Castor and Hedrick, 2006). In rock-forming minerals, REE typically occur in carbonates, oxides, phosphates, and silicates (Hedrick, 2010).

REE have unique physical and chemical properties that have led to their application in a wide range of high-technology end uses (Haxel et al., 2002). For example, high quality camera lenses incorporate lanthanum oxide (La_2O_3) because of its extremely high index of refraction (Silberberg, 2003). Hybrid cars use La in rechargeable batteries, and Nd in high-powered magnets. La is used in disk drives, speakers and as a petroleum catalyst. Ce is used as an autocatalyst, in polishing (nearly all polished glass products are finished with cerium oxide (CeO_2)) and in many electrical components. High wear-resistant ceramics uses Y stabilised zirconia, and Ce is used in specialised glass products. Energy efficient lamps use Eu and Tb, and REE are used in the production of computers and plasma screens, with Eu providing the only element that can be used in the production of "red phosphor". Er is used as a doping agent in fibre-optic cables, where it functions as a laser repeater, and to date there is no substitute known. Developing technologies that use REE includes magnetic refrigeration to preplace gas-compression refrigeration (Gd-Ge magnets) and various pigmentation using REE instead of more toxic heavy metals (such as Cd).

REE are widely used in defence applications (Hedrick, 2010), including Sm-Co in high-performance magnets, Y stabilised zirconia to protect metal alloy in jet engines, REE phosphors in avionics gear, Dy and Tb alloys in sonar applications and various REE crystal applications in radar and surveillance technology (phase shifters, tuners and filters).

3.1 The main REE-bearing minerals

There are over 200 REE-bearing minerals known (DPI, 2011) but almost all production to date has primarily come from less than 10 minerals, the most important of which are Bastnasite, monazite and xenotime (Castor and Hedrick, 2006).

3.1.1 Bastnasite

Bastnasite is a REE fluoro-carbonate with the general formula $(Ce,La,Y)(CO_3)F$. It is the most abundant REE mineral and is currently the primary source of world REE production. The mineral can contain up to 76 weight precent (wt%) Total Rare Earth Oxides (TREO, Castor and Hedrick, 2006).

The principle producer of Bastnasite is the Bayan Obo Fe-Nb-REE mine, Inner Mongolia, China. Bayan Obo shows geological affinities to carbonatite-hosted REE and hydrothermal Iron Oxide Copper Gold (IOCG) deposits. Grades at Bayan Obo are between 3 and 6% TREO, with reserves of at least 40 Mt (Haxel et al., 2002, Kanazawa and Kamitani, 2006).

3.1.2 Monazite

Monazite is a LREE phosphate and the chemical composition of natural monazite is complex (Rasmussen and Muhling, 2007). The monazite group includes many end-members with varying percentages of REE. Monazite contains largely LREE (Berkman, 2001), up to 71 wt% TREO (Castor and Hedrick, 2006).

Most monazite is recovered as a by-product of processing heavy mineral sands mined for titanium and zirconium in India and Brazil and/or alluvial tin mining in Malaysia (Hedrick, 2010). In Australia, monazite is recovered from coastal placers near Eneabba, Capel and Yoganup (WA) and in North Stradbroke Island (Queensland). Primary sources of monazite include granitic rocks and pegmatites and high-grade metamorphic rocks (Castor and Hedrick, 2006).

3.1.3 Xenotime

Xenotime is a yttrium phosphate (YPO_4), commonly found in mineral sand deposits along with monazite. It is also obtained as a by-product of alluvial tin mining in Thailand, Malaysia and Indonesia (Christie et al., 2011). Xenotime has been extracted as by product from coastal placer deposits in Australia (Berkman, 2001; Castor and Hedrick, 2006). It is a major source of Y and HREE and contains 61 wt% TREO (Castor and Hedrick, 2006).

3.2 Deposit types

REE minerals occur in many different types of deposits globally but come from only a handful of sources (Haxel et al., 2002) including:

- Magmatic deposits:
  - Carbonatite (Mountain Pass, California)
  - Alkaline rocks and veins Toongi (Dubbo) and Narraburra, New South Wales and Brockman and Ponton Creek, WA, Khibini and Lovozero, Kola Peninsula, Russia, various deposits, Canada)
  - Hydrothermal iron-oxide deposits that contain REE (Iron-REE deposits, including Bayan Obo, China, Nolans Bore, Northern Territory, Australia).
- Sedimentary deposits:
  - Placer deposits (Western Australia, South Australia and Queensland, Richards Bay (South Africa) and Kerala (India)). Mostly only as by-product from non-REE primary commodity deposits such as rutile or titanite
  - Conglomerate (Elliot Lake, Canada).
- Secondary deposits:
  - Lateritic carbonatite deposits (Mount Weld and Cummins Range, WA and Araxa, Brazil)
  - Ionic or ion absorption clay deposits (Longnan, southeast China).

REE are also found as a potential by-product in a number of other types of mineral deposits including IOCG deposits, alkaline felsic magmatic deposits, pegmatites, hydrothermal quartz deposits, fluorite veins and skarns (e.g. Christie et al., 2011), but very few of these are economic.

Currently most REE production comes from China (95% of total world production in 2009), mainly from the Bayan Obo mine, but also from the Longnan ion absorption clay deposits (see Long et al., 2010). This despite the fact that in 2009, China's known REE mineral reserve stood at 36% of the known reserves globally. Australia presently holds a 5% share of known mineral reserves in REE (Long et al., 2010).

The Cummins Range REE deposit is an example of a lateritic carbonatite deposit.

Table 3-1 below shows the REE resources and reserves for Australia (taken from Long et al., 2010). Note that at present no REE production exists in Australia, with Mount Weld the only deposit expected to start producing REE concentrate soon. Once in production, concentrate will be shipped for further processing to Malaysia (Lynas, 2011).

Table 3-1: Principal REE deposits in Australia

Deposit	Indicative Grade (%ox)	Deposit type
Brockman	0.23	Alkaline rock related
Mount Weld	8.60	Laterite (carbonatite)
Cummins Range	1.72	Laterite (carbonatite)
Gifford Creek	1.70	Carbonatite dykes
Toongi	~0.7	Alkaline rock related
Narraburra	0.03	Alkaline rock related
Nolans Bore	2.80	Hydrothermal veins and Iron REE

Note: Table from Long et al., 2010. %ox = percent oxide

3.2.1 Magmatic deposits

Magmatic deposits include REE mineralisation associated with carbonatite, alkaline rocks, or with hydrothermal veins associated with carbonatite, alkaline complexes or IOCG deposits. These magmatic deposits can be further enriched by supergene processes resulting in extensive laterite-hosted REE mineralisation or to ion-adsorption clay deposits, the latter only known from Longnan, southern China.

3.2.1.1 Carbonatite-hosted deposits

Carbonatites are carbonate-mineral-rich igneous rocks (Gill, 2010), defined as containing more than 50 modal per cent of primary magmatic carbonate minerals. They form through low-percentage (<3%) partial melting of carbonate-bearing mantle peridotite, which allows for strong enrichment of incompatible elements, including REE.

Many carbonatites contain an abundance of apatite, magnetite, barite, and fluorite and may contain economic or anomalous concentrations of REE, niobium, uranium, Th, copper and titanium. Hydrous alteration (phenitisation) of phlogopite in the carbonatite often results in the formation of vermiculite, which can form economic accumulations (e.g. Mud Tank, Northern Territory).

Carbonatites most commonly form cylindrical stocks, with associated dykes and breccia, or can form the central plug within concentrically zoned alkaline intrusive complexes. Carbonatite dykes, sills, breccias and veins are also recorded.

Carbonatite and carbonatite-alkaline igneous complexes are typically located in relatively stable, intra-plate regions, often within the Precambrian shield or continental platform areas. However, some may develop near plate margins or be associated with rifted or early stages of rifted continental plates. Carbonatites range in age from Archean to Recent, but carbonatite magmatism seems to have steadily increased in time (Bell, 1989).

Many major carbonatites are ores of a variety of metals and minerals. The most common association of economically important elements and minerals include:

- Phosphorus, most commonly in the mineral apatite
- REE, most commonly in the mineral bastnasite
- Niobium, most commonly in the mineral pyrochlore
- Iron, most commonly in the mineral magnetite

Ore minerals may be disseminated throughout a large volume of carbonatite, or may be banded and concentrated in certain intrusive, alteration, or breccia zones, or in carbonatite dykes and sills (Modreski et al., 1995). Often the carbonatite itself only has sub-economic amounts of REE, with secondary processes (hydrothermal alteration of supergene enrichment through weathering and lateritisation) bringing the grade up to economic levels.

Examples of carbonatite-hosted REE deposits include St. Honore, Quebec; Mountain Pass, California; Phalaborwa, South Africa, and Kovodaor, Russia. REE have been produced from only one, the Mountain Pass deposit, which was mined exclusively for REE (Castor and Hedrick, 2006) between 1954 and 2002 (Long et al., 2010). In Australia, no economic carbonatite hosted REE deposits are recognised.

3.2.1.2 (per) Alkaline rock or vein-hosted deposits

Many examples of REE mineralisation are known worldwide, to be hosted in (per) alkaline rocks or veins, but many are relatively low grade, small tonnage, and therefore uneconomic. As a result, only a single deposit, the Lovozero Massif in Russia, has been mined. At Lozovero, the ore mineral is Loparite ((Ce,Na,Ca)(Ti,Nb)O_3), which can make up to 3% of the rock.

In Australia, alkaline rock or vein-related deposits include Toongi (Dubbo, Alkane Resources Ltd) and Narraburra (Capital Mining Limited) in New South Wales, and Brockman in WA. Mineralisation at Toongi is hosted in a Triassic altered alkali trachyte intrusion (Chalmers, 1999). The mineralisation appears to be the result from extensive hydrothermal alteration (carbonate, chlorite, potassium and clay minerals). The mineral assemblage includes Bastnasite, zirconium, Y and niobium-tantalum silicates. Alkane Resources Ltd are still evaluating the commercial viability of the project, including ongoing pilot plant treatments and market research, and envisages a possible start of production by 2012.

The Narraburra deposit of Capital Mining Limited, is hosted within the weathering profile of an alkaline leucogranite, and comprises weathered granite itself and secondary heavy mineral accumulates in palaeochannels (Capital, 2011).

The Brockman deposit near Halls Creek in the north of WA is hosted in hydrothermally altered alkaline trachyte ash-flow tuff.

3.2.1.3 Hydrothermal iron-oxide deposits

The Bayan Obo Mine in China is the only currently exploited deposit of the hydrothermal iron-oxide type, but accounts for 95% of the world's production of REE (Castor and Hedrick, 2006). The REE mineralisation occurs in iron ore, in silicate and in carbonate (dolomite). Much of the mineralisation occurs in 100 m thick lenses that locally have brecciated structure and are enriched in fluorite. The mineralisation is considered to be hydrothermal in origin, perhaps formed and upgraded during several events, and related to alkaline or carbonatite magmatism.

In Australia, an example of a hydrothermal iron-oxide deposit is the Nolans Bore mineralisation in Central Australia. The mineralisation occurs in NE-oriented swarms of fluorapatite veins that contain allanite and are associated with carbonate and calc-silicates (Maas et al., 2009). The majority of REE is hosted in cheralite and Bastnasite inclusions in apatite. The mineralisation is interpreted to be of high-temperature hydrothermal origin, possibly linked to a concealed carbonatite complex. The age of the apatite (and thus mineralisation) is regarded to be c. 1250 Ma (Maas et al., 2009).

3.2.2 Sedimentary deposits

Because of the high specific density of many REE-bearing mineral phases, and relative resistance against chemical or physical degradation, sedimentary processes are a powerful natural concentration mechanism for REE-bearing minerals. Because of the relatively small volume of REE-bearing minerals in most source rocks, the most productive placer deposits are Tertiary or Quaternary beach deposits, such as those recognised in WA (e.g. Eneabba, Capel and Yoganup). In fact, in the 1980's, Australian palaeoshore line beach deposits were the third most important source of REE. Presently, production from beach placers in Australia has all but ceased, as the concentrates also contain significant amounts of radioactive elements, especially thorium and its daughter products (especially the highly radioactive radon), making them less desirable than other source materials.

At Eneabba, placer deposits occur in Tertiary or Early Pleistocene beach deposits about 30 m above sea level. The deposits comprise up to 6% rutile, zircon and ilmenite, from which small amounts of monazite was recovered as a by-product. Annually, about 2,500 tonnes of monazite were produced in the 70's, but even though production is still ongoing, monazite is no longer marketed as a product. Further south, at Capel and Yoganup, ilmenite and zircon palaeoshore deposits are mined, and these deposits also contain small amounts of monazite.

Along Australia's east coast, various beach deposits have been exploited in the past, mainly extracting rutile and zircon, with accessory monazite. The WIM150 Project near Horsham in the southern Murray Basin, is another placer deposit containing titanite and zircon, with small amounts of monazite and xenotime. Even though the project is on track for further development, it is unclear whether REE mineralisation will be marketed as a by-product of the zircon and titanite production (Australian Zircon NL, 2011).

No conglomerate-hosted REE deposits are known in Australia, with most production from such deposits coming from Canada. Conglomerate hosted deposits often appear to be of primary placer origin, with possible enrichment during metamorphism or hydrothermal activity. Many of the conglomerate-hosted REE deposits are of Proterozoic age (Castor and Hedrick, 2006).

One Australian sedimentary (accessory) REE deposit worth mentioning is Mulga Rocks. Mulga Rocks is a sandstone-hosted uranium deposit within a palaeochannel, with associated lignite, oil, nickel, cobalt, gold, vanadium and REE.

3.2.3 Laterite deposits

Lateritic carbonatite deposits form as a result of weathering of the underlying carbonatite. During the lateritisation process, REE and phosphate (PO_4) complexes form as a result of selective leaching of calcium and magnesium from carbonate and apatite. Laterite-hosted deposits can contain over 10% TREO, mostly in supergene monazite.

The Mount Weld carbonatite is the best example of such a deposit. Mount Weld is believed to be a subsurface carbonatite plug intruding the Archean volcano-sedimentary sequence within the Eastern Goldfields Province of the Yilgarn Craton (Figure 3-2). The carbonatite at depth contains sub-economic amounts of REE (up to 0.2% TREO), but long term leaching and re-depositioning through groundwater during the Permian glaciation has significantly enriched the weathering profile. This process also resulted in a fractionation of REE so that LREE are more abundant at higher levels (in phosphate phases such as monazite) than HREE (Castor and Hedrick, 2006), which occur at deeper levels, mainly in churchite.

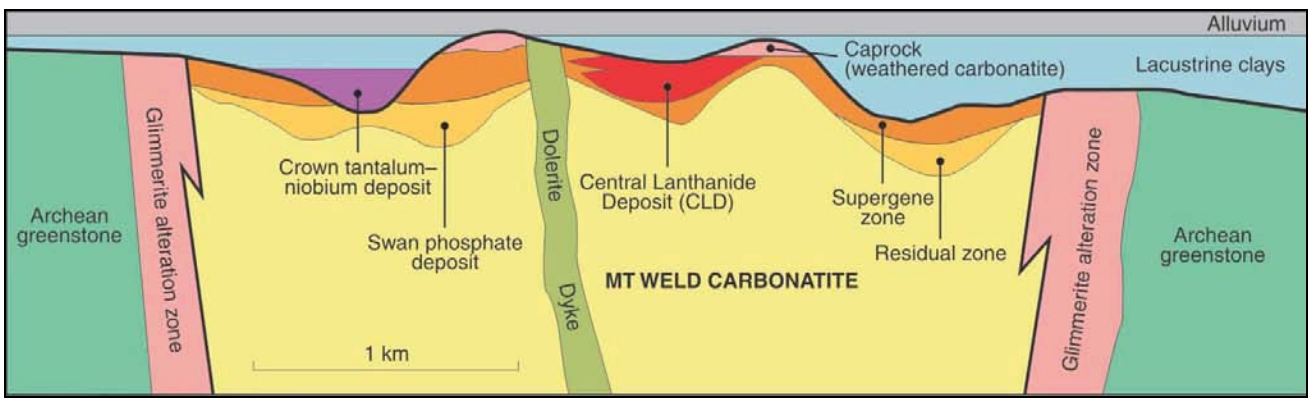

Figure 3-2: Schematic cross section through Mount Weld (taken from Sellers, 2010)

Other Australian examples of REE mineralisation in lateritic weathered cap on carbonatite include the Cundeelee, Ponton Creek, Cummins Range and Gifford Creek deposits.

The Cundeelee intrusive complex is an interpreted carbonatite under substantial Tertiary and Pleistocene cover sequences. Magnetic interpretations and limited drilling by previous explorers indicated a “mafic intrusive complex” with carbonate alteration and veining but failed to identify supergene enrichments of highly anomalous REE values in the carbonatite.

Gifford Creek and Yangibana comprise a series of ultramafic dykes and sills, and a younger suite of carbonatite dykes that, in part, intrude the Bangemall Group sediments along the northeastern margin of the Gascoyne Complex (Pearson and Taylor, 1996; Pearson et al., 1996). Some of these dykes appear to be overlain by gossans that can contain up to 11% TREO.

4. Cummins Range REE Project

4.1 Location, tenements and access

The Cummins Range REE Project is located 130 km southwest of Halls Creek in the East Kimberley region of WA (Figure 4-1). The Project comprises one granted Exploration Licence (80/2232).

Navigator has agreed to sell a 25% interest, with a right to acquire up to an 80% interest by sole funding exploration and preparing a bankable feasibility study, in the Exploration Licence (80/2232), which covers 15 blocks or 48.5 km^2. Rental for year end 03/05/2011 was $7114.80 and current year (2011) expenditure commitment is minimum of $70,000 (eMITS, 2010).

The tenement was granted on 4 May 2001 and the current expiry date is 3 May 2011. KRE has advised SRK, that between 2001 and 2011, Navigator Resources actual exploration expenditure has been $2.6 million compared to a minimum expenditure commitment of $512,700. KRE will apply for an extension to the lease in March 2011 and are confident that the lease will be renewed given their exploration expenditure has been some five times the minimum requirement. Nonetheless, SRK notes that KRE strategy relies on a positive outcome to the lease extension.

E80/2232 is located within the Shire of Halls Creek. It overlies two indigenous-owned pastoral leases: Carranya (PL 3114/1155, 76.5%) and Lamboo (PL 3114/1109, 23.5%). The Project area is subject to a Native Title claim (WC99/020) by the Lamboo People.

Preferred access to the project from Halls Creek is southeast for a distance of 30 km on the well maintained gravel Tanami road (turn-off located approximately 20 km south of Halls Creek), to a turn-off located 1.5 km past Ruby Plains pastoral station, thence southwest along station tracks for a distance of approximately 90 km. Access in the wet season is limited due to concerns of potential damage to station tracks by the pastoralist, and to creek washouts in some areas.

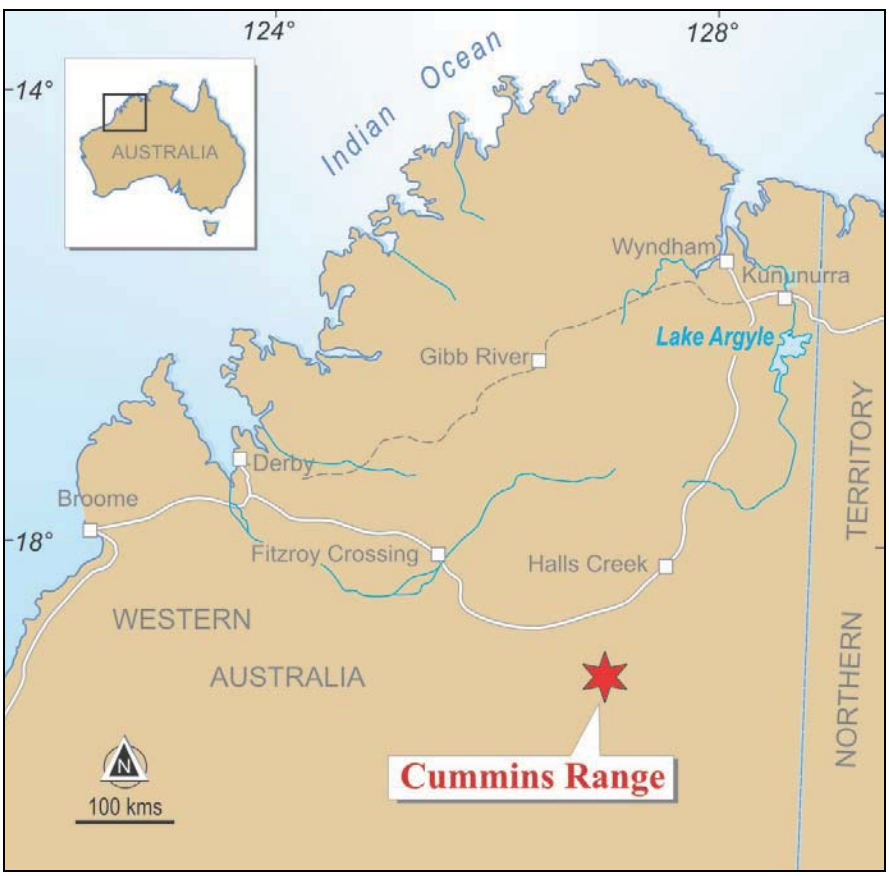

Figure 4-1: Location of Cummins Range REE Project (provided by Navigator)

The Project is located on the northern margin of the Great Sandy Desert and dominated by flat spinifex plain. Outcrop within the project area is limited to a few shallow mounds of silicified, ferruginous collapse breccia overlying the core of the Cummins Range Carbonatite. Thin, aeolian sandy cover is the norm with intermittent east-west sand dunes, little defined drainage and a thriving camel population (Barnett, 2010) (Figure 4-2).

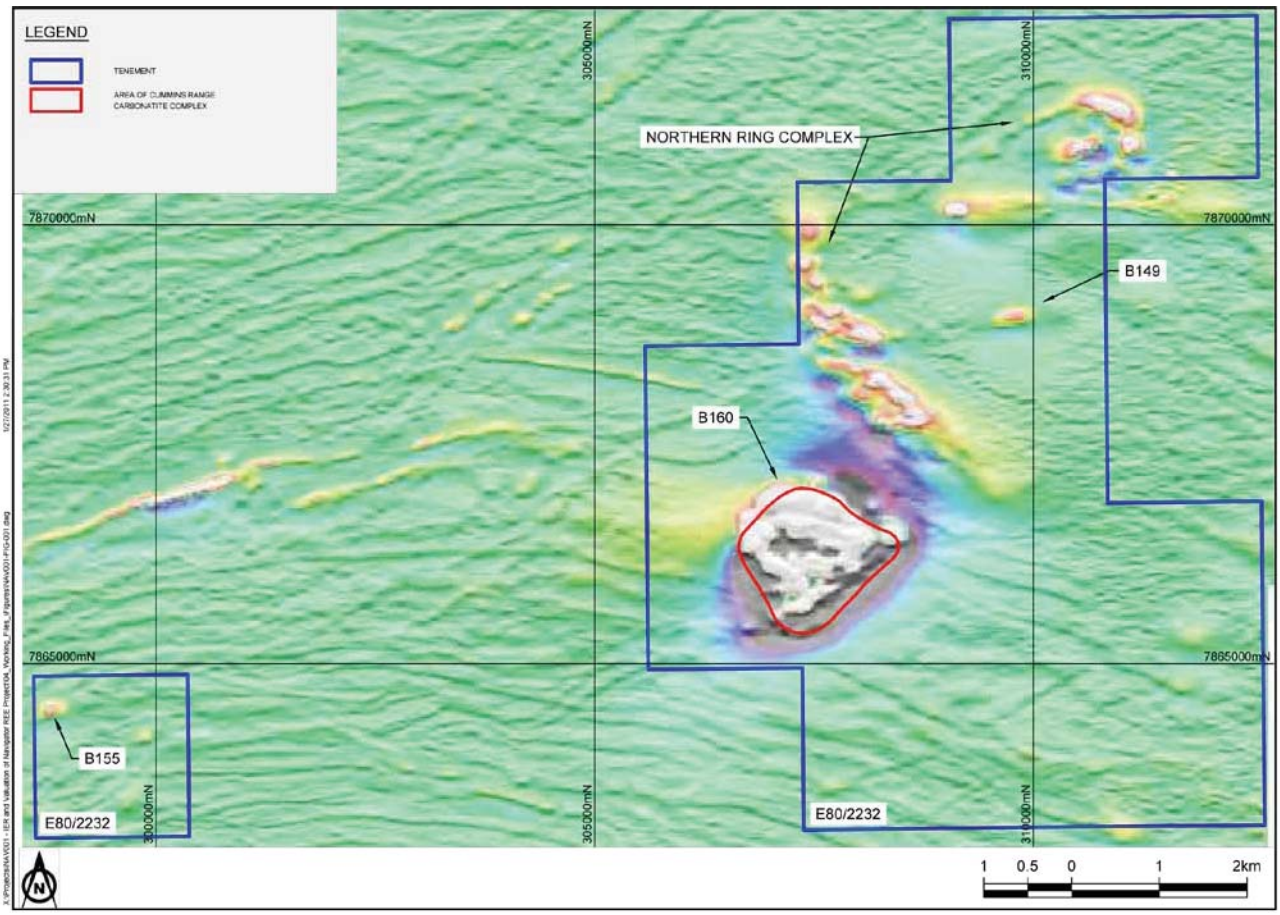

Figure 4-2: Tenement map of E80/2232

Figure 4-2 was prepared by SRK from data supplied by Navigator, January 2011. AGD84 Zone 52 grid coordinate system.

4.2 Geological Setting and Mineralisation

4.2.1 Regional geology

The Cummins Range Carbonatite lies at the southern apex of the Kimberley block at the junction of the Halls Creek and King Leopold Orogens (Andrew, 1990) and located near the southern end of the Halls Creek Fault (Hassan, 2000) (Figure 4-3). The Halls Creek Province containing these orogens is an important alkaline igneous province (Andrew, 1990).

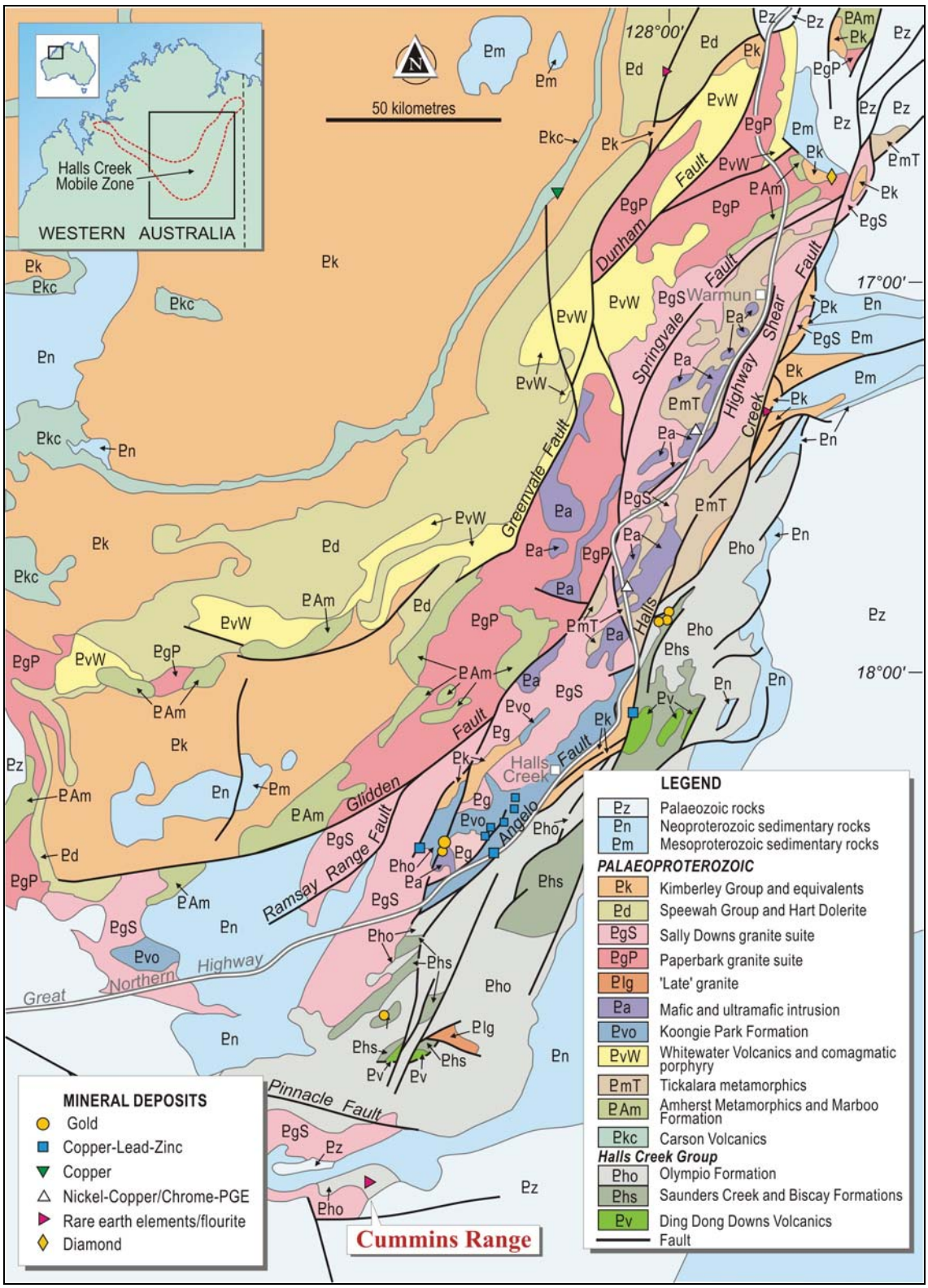

Figure 4-3: Regional geology and tectonic setting of Cummins Range Carbonatite (provided by Navigator)

Sheppard and Hassan (2000) state the following: "The Halls Creek Orogen developed between the Kimberley Craton to the northwest and the North Australian Craton to the southeast. The orogen formed in the Palaeoproterozoic, but it also records a long history of intermittent reactivation until the end of the Palaeozoic. The orogen comprises the Palaeoproterozoic Lamboo Complex, the deformed margins of the Palaeoproterozoic Speewah and Kimberley Basins and their correlatives, and the deformed elements of a number of Mesoproterozoic, Neoproterozoic, and Palaeozoic sedimentary basins."

The Lamboo Complex formed as a result of convergence and collision between the Kimberley and North Australian Cratons (Hassan, 2000). The Lamboo Complex includes all the deformed and metamorphosed plutonic, volcanic, and sedimentary rocks formed between c. 1910 Ma and c. 1790 Ma, and is divided into three north-northeasterly trending tectonostratigraphic zones" (Sheppard and Hassan, 2000) of which the Halls Creek Fault defines the boundary between the Eastern and Central zones (Hassan 2000).

Sanders (2007) describes the basement geology of the tenement block as being "overlain by thin aeolian sand and comprises metagreywackes of the c. 1807 Ma lower Proterozoic Olympio Formation (Halls Creek Group), overlain by the Meso-Proterozoic Mount Baker and Wade Creek Sandstones to the north. The Proterozoic stratigraphy along the northern margin of the tenement block is intruded by granitoids of the Sophie Downs Suite, while the basement is unconformably overlain by Ordovician conglomerates and sandstones of the Carranya Beds to the east (Figure 4-3). The tightly folded basement stratigraphy trends east-northeast and dips moderately to steeply south."

Andrew (1990) states that '"the carbonatite complex intrudes a sequence of slate, phyllite and metagreywacke, correlated with those of the Archean Olympio Formation of the Halls Creek Group. Granite gneiss also forms part of the country rock, and probably belongs to the Lamboo Complex. No structural disruption or contact metamorphism was found on the margins of the carbonatite complex."

Sanders (2008) suggested the location of the carbonatite at the junction of the Halls Creek and King Leopold Orogens is a possible related structural control (i.e. Halls Creek Fault; Hassan, 2000). The intrusive is of Late Proterozoic age and may be related to the coeval Bow Hill lamprophyre dyke swarm in the East Kimberley (Andrew, 1990).

4.2.2 Local geology

The Cummins Range Carbonatite is a composite, subvertical stock measuring 1.8 km x 1.7 km in plan (Andrew, 1990; Hassan, 2000). Margins of the complex are sharp and steeply dipping to vertical at orientations of 040° or 140° parallel to the strike of the major mobile zones. Structural control by deep seated fractures is indicated in the emplacement of the complex, producing its asymmetric rhombic shape (Andrew, 1990) (Figure 4-4).

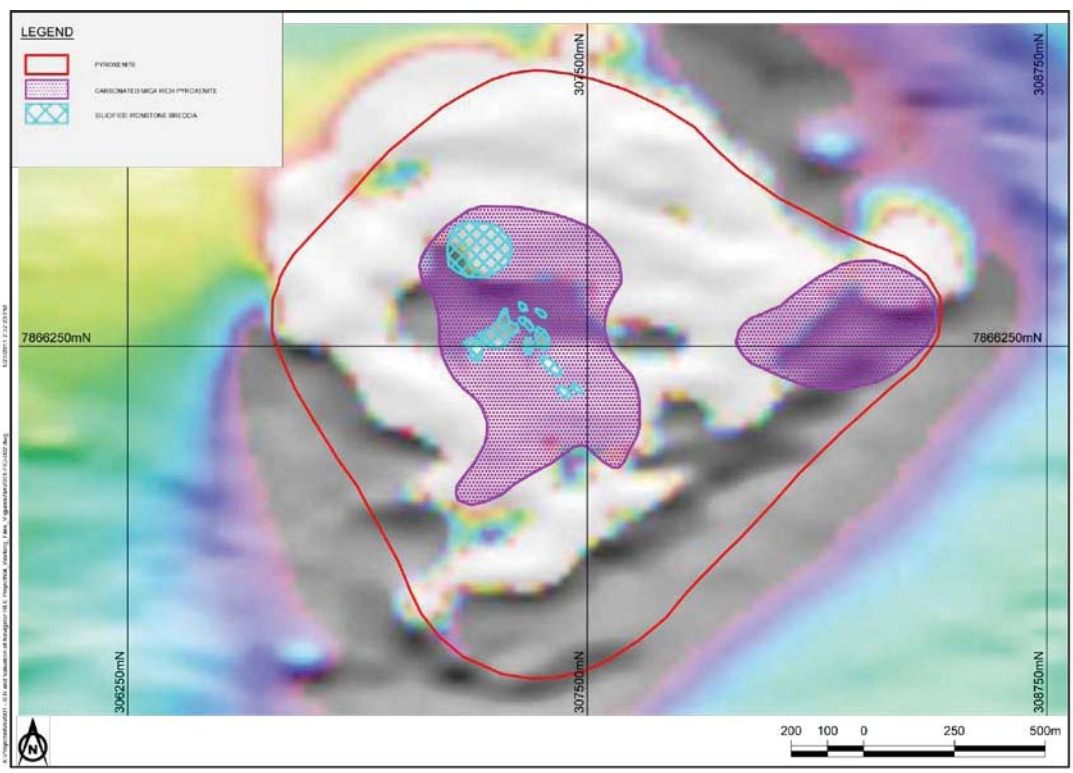

Figure 4-4: Geological plan of Cummins Range Carbonatite

Figure 4-4 was prepared by SRK from data supplied by Navigator, January 2011. AGD84 Zone 52 grid coordinate system.

The pipe complex comprises three broadly concentric lithological zones consisting of (1) an outer zone of unaltered pyroxenite that constitutes 60% of the complex; (2) an inner zone of carbonated mica-rich pyroxenite altered to amphibolite and contains numerous steeply dipping carbonatite veins, up to 60 m thick, and (3) a central zone of carbonatite, weathered to silicified ironstone breccia at the surface (Sanders, 1999; Andrew, 1990).

Both calcite and dolomite dominant carbonatite phases are present (Hassan, 2000). The carbonatite is strongly enriched in phosphorus, strontium, zirconium, niobium, tantalum, thorium, uranium and LREE. Accessory minerals in the carbonatite include zircon, sphene, baddeleyite, monazite, aeschynite, pyrochlore, columbite, and allanite (Andrew, 1990).

Sanders (2008) identified "three main bedrock lithologies including carbonatite, pyroxenite and glimmerite. Areas of mixed lithology commonly occur on the contacts of broad lithological zones. Weathered products of all rock types are present in a well-developed insitu regolith overlying the bedrock and include, goethitic clays ± phlogopite mica, iron-silica rich laterite and massive glimmeritic clays. The base of oxidation varies from approximately 25 m downhole depth to in excess of 100 m in the central portion of the carbonatite."

4.2.3 Mineralisation

Based on a study of 10 samples provided by Navigator Resources, CSIRO (2010) states that "studies of high-grade mineralised zones of rare earth mineralisation lying in the oxidized zone above the weathered Cummins Range Carbonatite show that the principal rare earth bearing minerals are primary monazite and apatite. The concentration of these minerals is consistent with their derivation from mechanical weathering and deflation of the primary carbonatite."

Weathering processes including leaching, dissolution, and silicification of the carbonatite have led to residual enrichment in the oxide zone by up to ten times the original concentration of all the resistate minerals such as monazite, apatite, zircon, pyroclore and magnetite (Andrew, 1990), concentrating LREE, niobium, and phosphorus, which forms the mineral deposit (Hassan, 2000; Sanders, 1999; Andrew, 1990). Secondary monazite accounts for most of the enrichment in LREE (Andrew, 1990).

Mineralisation is up to 50 m in thickness and mainly occurs in a sub-horizontal geometry (Figure 4-5) within a deeply weathered regolith, which is developed over carbonatite, pyroxenite and glimmerite rocks (Sanders, 2009).

A northwesterly trend to higher grade mineralisation has been observed by Navigator within the main zone of mineralisation. High-grade (plus 3% TREO) mineralisation appears to be continuous within a halo of lower grade (1%-2% TREO) mineralisation (Sanders, 2008). Cummins Range has low thorium levels and is considered comparable in style to the Mt Weld deposit in WA, containing a similar mix of REE and low thorium levels (Sanders, 2008).

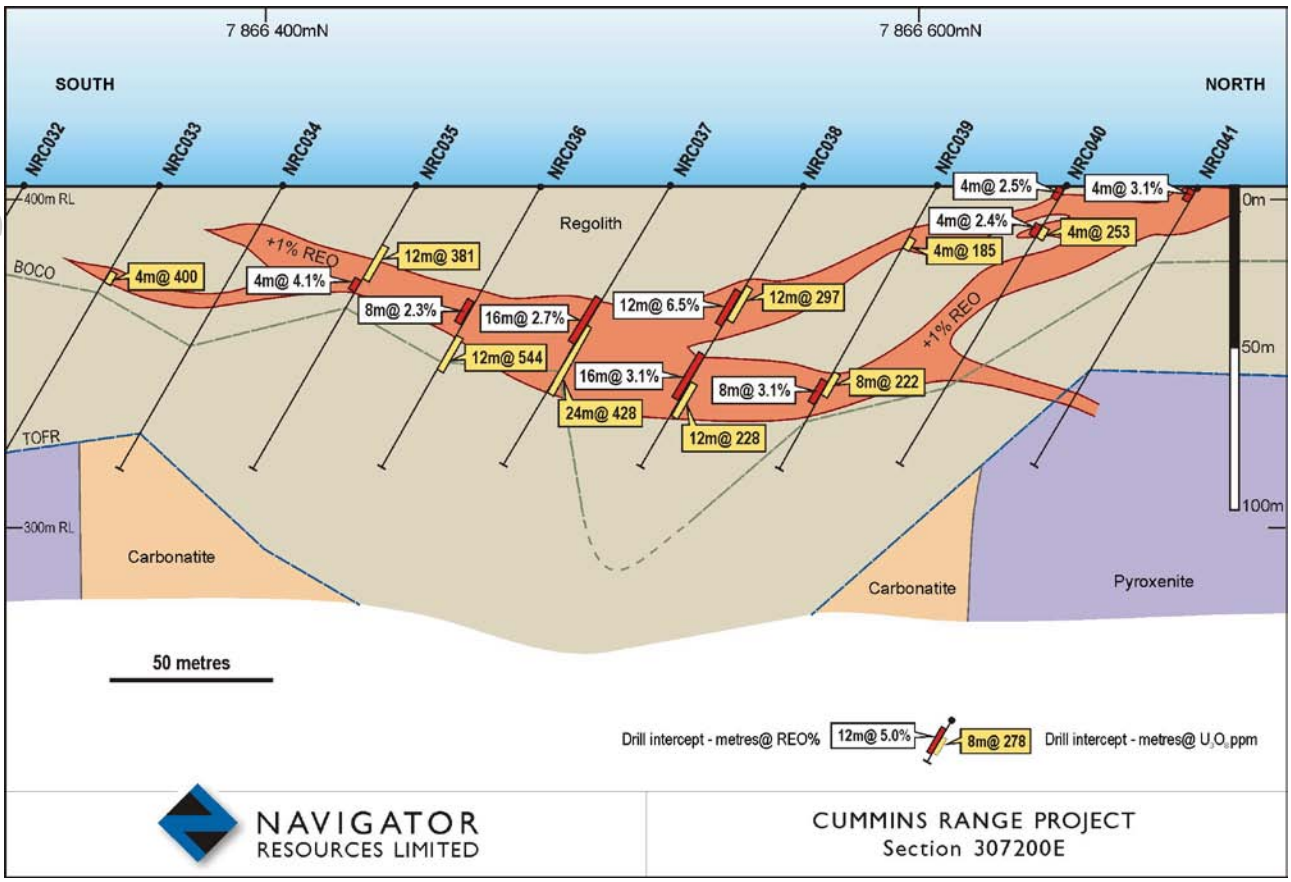

Figure 4-5: Cross section through Cummins Range REE deposit (provided by Navigator)

4.3 Previous Exploration

In November 1977, an airborne geophysical survey was carried out over the inferred junction of the Halls Creek Orogen and the King Leopold Orogen, south of Cummins Range, primarily to search for kimberlitic intrusives (Fitten, 1981; Andrew, 1990; Hassan, 2000). Following the ground inspection of a large, discrete magnetic anomaly (B160), CRA Exploration Pty Ltd ("CRAE") discovered the "Cummins Range" carbonatite (Fitten, 1981; Hassan, 2000; Andrew, 1990). Six other discrete magnetic anomalies were also identified (namely B146, B149, B152, B153, B155 and B302). B149, B155 and B160 lie within the current tenement.

CRAE held mineral claims, exploration and mining leases over the area between 1979 and 1990.

CRAE conducted detailed ground magnetics, auger and rotary air blast ("RAB") drilling over the magnetic anomaly (*44 auger holes and 48 RAB holes*) and other satellite anomalies (*43 auger holes and 20 RAB holes*) (Fitten, 1981; Richards, 1985) between 1978 and 1981.

All the other satellite anomalies were interpreted to be related to the carbonatite except for B153 which was interpreted as a fault or basic dyke and was not drilled.

Exploration between 1982 and 1983 involved reconnaissance helimag surveying, follow-up ground magnetic and radiometric surveying, and two aircore drilling programmes (Richards, 1984).

The two aircore ("AC") drilling programmes completed included 56 AC drillholes (1053.8 m) in 1982 into the main anomaly *(51 holes)* and five satellite anomalies *(5 holes)*, and 43 AC and percussion drillholes (1379.4 m) within the central area of the carbonatite in 1983 (Richards, 1984). The drilling delineated a zone within the centre of the carbonatite, which has a high REE content, particularly europium (Richards, 1984).

The 1982 AC drilling programme did not locate any peripheral pyroxenite or carbonatite bodies at the five satellite anomalies (Richards, 1984). Drilling intersected either granitic gneisses or metasediments. Only B152 intersected a magnetic source.

In 1984, CRAE completed two diamond drillholes (402.1 m and 402.0 m respectively) and one percussion water bore (54 m) into the central portion of the carbonatite complex (Richards, 1985). Geochemical results indicated that the REE mineralisation is a surface enrichment feature primarily controlled by the intensity of weathering (Richards, 1985).

Between 1986 and 1987, work by CRAE concentrated on the market potential of REE (Mineral Resources Studies, 1987).

In 1989, CRAE reviewed the Cummins Range Carbonatite and identified a small tonnage, high-grade REE resource (Weir, 1989), but recommended that the Cummins Range prospect be divested. No exploration work had been undertaken on the deposit since 1985 by CRAE.

4.3.1 Other previous exploration

Dundas Gold Corporation NL ("Dundas") explored the ground covering Cummins Range Satellite prospect adjacent to Cummins Range deposit (MINEDEX location within the western extension of E80/2232) in 1983 that had previously been explored by CRAE. Based on CRAE past exploration reports available through Geological Survey of Western Australia (GSWA's) WAMEX online system 14 auger, three RAB and one AC holes have been drilled by CRAE (holes are not located accurately because only local coordinates are available). GSWA's EXACT online system plots 14 points representing non-gridded geochemical surveys/activities (chip, channel, dump and gossan) within this area. Dundas mention that CRAE had drilled 14 or 15 percussion holes on a magnetic anomaly but no drilling data was obtained by Dundas. Dundas concluded that the ground was prospective for carbonatites and REE based on review of the ground but no other detail is available.

Bakarra Pty Ltd explored the ground between 1992 and 1993 for diamonds however, no other details are available.

There seems to be no or little ownership and/or exploration undertaken between when CRAE relinquished their tenements in September 1990 and Navigator was granted the ground in May 2001 over the Cummins Range deposit and Satellite prospect.

4.4 Exploration by Navigator

Navigator applied for E80/2232 in October 1996 primarily on the potential of the Cummins Range Carbonatite previously explored by CRAE between 1977 and 1990 and extended to include several untested aeromagnetic anomalies (Navigator, 2002; 2003). The application was granted in May 2001.

Navigator also held exploration licence (80/2725; granted in 2002 and surrendered in 2005; 9.7 km^2) over a satellite anomaly identified by CRAE as B153 that had not been drilled.

A detailed aeromagnetic survey was flown over the project area in 2002 (Navigator, 2002). Navigator identified numerous magnetic anomalies interpreted as representing diamondiferous/alkaline intrusions (Sanders, 2006). Navigator has indicated from assessment of CRAE and Navigator aeromagnetic data that the Cummins Range Carbonatite may be part of a larger alkaline complex (Sanders, 2009) represented by ring structures in the magnetics north of the carbonatite (Sanders, 2007) (Figure 4-2).

In 2004, Navigator assessed the potential for PGE mineralisation using an Ural-Alaskan geological model. No significant Au, Pt, Pd, Cr, Ni and Co assay results were returned following sampling of the CRAE diamond drillcore within the least carbonate-altered pyroxenite, sulphide and high REE zones (Navigator, 2004).

In 2007 Navigator completed 4,961 m (148 holes) of AC drilling and 9,293 m (93 holes) of reverse circulation ("RC") drilling (Sanders, 2008) (Figure 4-6).

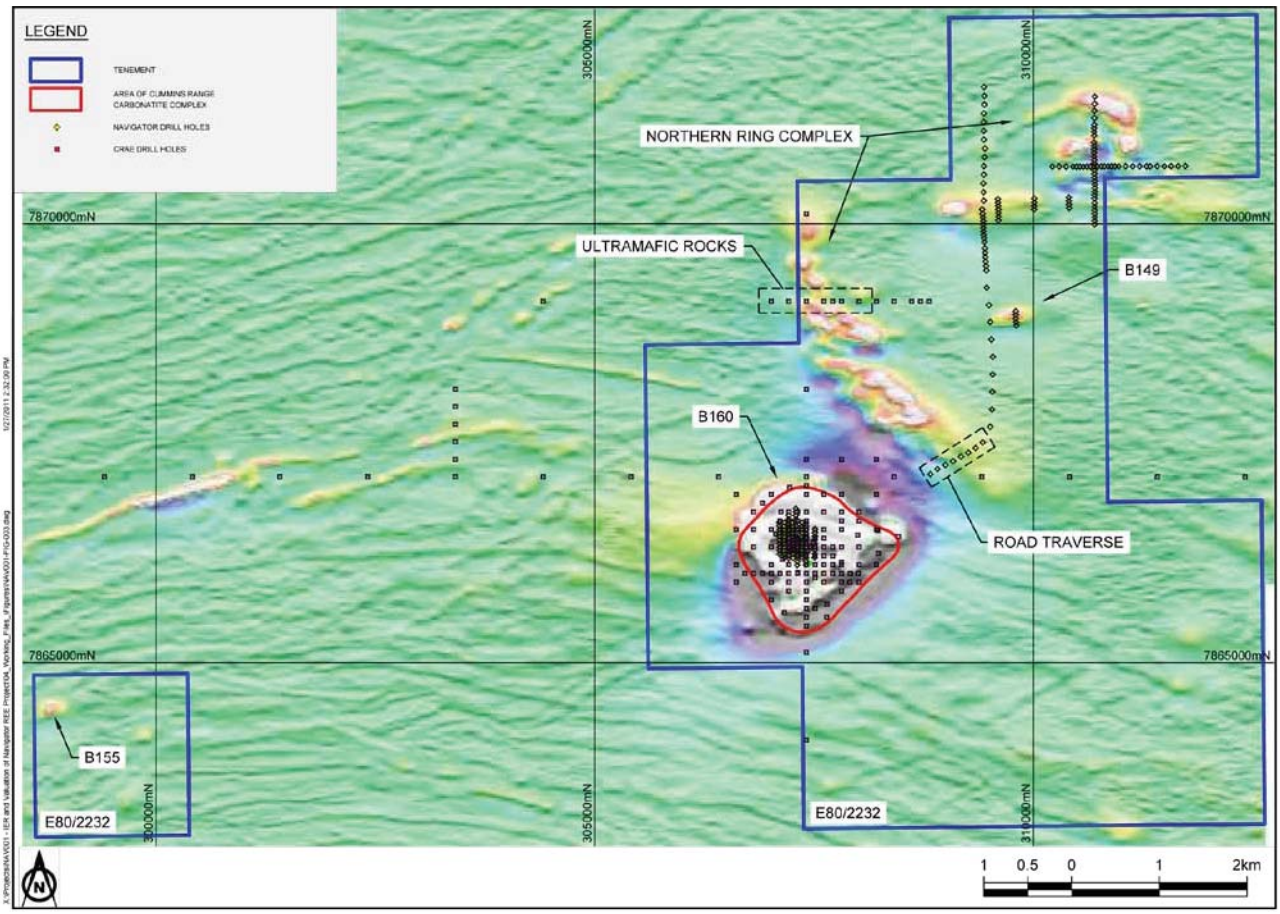

Figure 4-6: Cummins Range drillhole location and regional exploration potential

Figure 4-6 was prepared by SRK from data supplied by Navigator, January 2011. It does not show regional drilling by CRAE from 1978 and 1982 because cannot be accurately located because only local coordinates are available. AGD84 Zone 52 grid coordinate system.

127 AC holes (total 4,497 m) tested several radiometric and magnetic features to the north of the carbonatite (interpreted as a ring complex incorporating Cummins Range in a larger mineralised alkaline complex; Sanders, 2008; 2009) (Figure 4-6). No obvious targets of economic mineralisation were identified. 14 petrological samples were taken.

A 200 m long north-south drill traverse was completed through the central portion of the Cummins Range Carbonatite on 20 m centres, comprising 21 holes AC holes (total 464 m) for orientation purposes. Many drillholes failed to penetrate the near-surface caprock and all drillholes terminated in mineralisation (average 22 m depth). The AC drilling identified a well-developed laterite profile that was not readily apparent from previous drilling (Sanders, 2008).

RC drilling was completed over an area of approximately 500 m (north-south) by 400 m (east-west) in the central zone of the Cummins Range Carbonatite where significant REE mineralisation was discovered by CRAE. The drilling was completed on a 50 m x 40 m drill pattern to a vertical depth of 85 m. Drillholes were inclined at -60 degrees to the south. Based on this drilling Navigator announced a JORC Inferred Mineral Resource estimate, followed by an updated resource estimate. More details on the current resources are provided in Section 4.6.

Limited metallurgical testwork has been carried out on Cummins Range. In 2008, Metallurgical Design reviewed metallurgical test work carried out by Ammtec Limited on a series of four composite RC drill chip samples from Navigator's 2007 drilling programme and compared with the results of similar work commissioned by CRAE during 1983 and 1984 on one RC drill sample. KRE has budgeted for considerable further investigations.

In 2009, Navigator commissioned a research report on the Cummins Range Project by Green Leader Equities Research (Green Leader, 2009). This report provides an overview of the REE market dynamics at the time with respect to the Cummins Range Project and explores various scenarios for value realisation.

In 2010, CSIRO conducted petrographic, electron microscopic and x-ray diffraction studies on a suite of ten samples from Cummins Range and commented that existing mineralogical studies carried out by CRAE concentrated on mineralogy of unweathered carbonatite.

4.5 Site Investigations

SRK geologist, Bruce Sommerville, visited the Cummins Range project area on 11 January 2011 accompanied by Bernie Kirkpatrick of Navigator. The section provides a brief description of the site observations.

The Cummins Range site occurs at the edge of the Great Sandy Desert and with the exception of a single sand dune to the south of the main drilling area, the topographic relief in the project area is flat (Figure 4-7). The area is vegetated with native plants and grasses, with termite mounds. Transported sand covers much of the area, however minor outcrops of lateritic and weathered materials are observable.

As part of their rehabilitation plan, Navigator buried the coarse sample rejects and the drillhole collars, along with survey pegs. Nonetheless, the 2007 drilling programme is clearly visible from the air (Figure 4-8), and on the ground some drilling sumps and piles of drill cuttings are clearly visible. The drill chip spoil piles (Figure 4-9) reveal at least two dominant geological zones within the drill area:

1 A mica rich zone, and

2 A carbonate rich zone

This is consistent with geological descriptions by Andrew (1990) and Weir (1989).

Outcrop in the Cummins Range area is sparse. The observed outcrop is comprised of highly silicified ironstone breccias (Figure 4-10) consistent with the descriptions provided by Weir (1989).

Figure 4-7: Cummins Range project area relief and vegetation

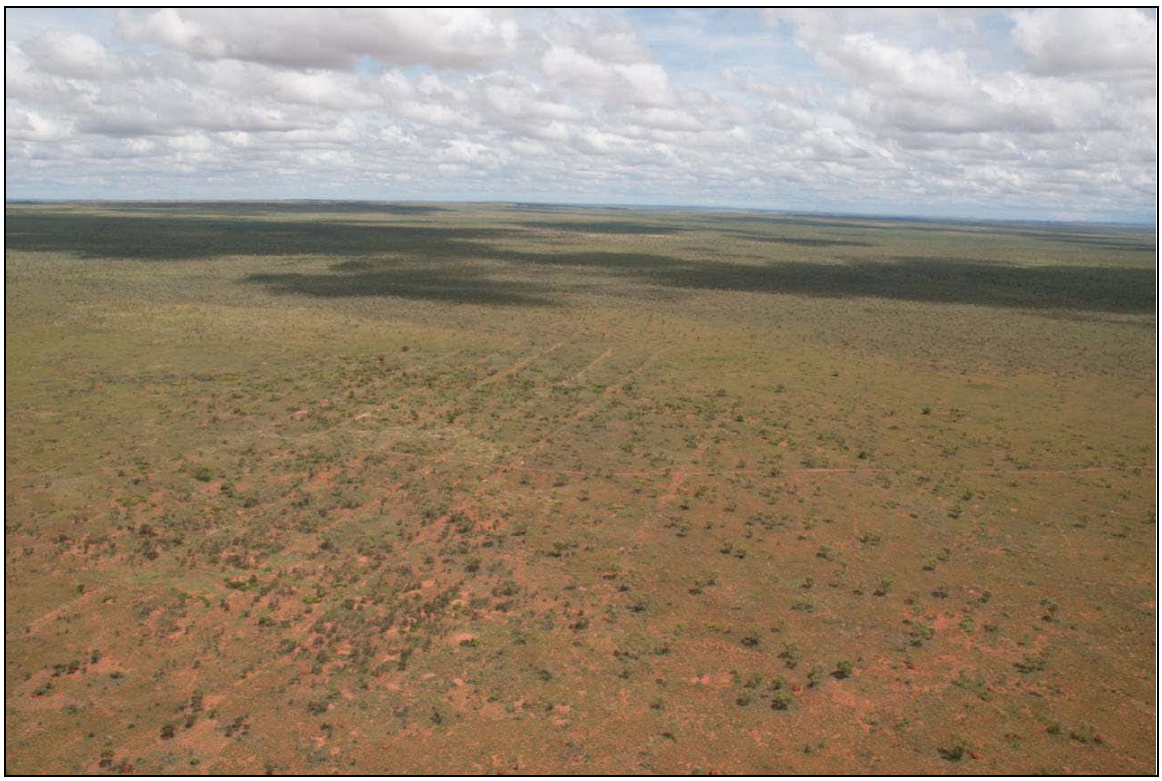

Figure 4-8: Cummins Range 2007 drill pan (looking north)

Figure 4-9: Drill chip spoil piles at Cummins range

The highly reflective nature of the photo is a result of significant quantities of mica in the drill chips.

Figure 4-10: Cummins Range outcrop

The Cummins Range project area has very limited outcrop. The observed outcrop is comprised of siliceous ironstone breccias.

As part of the site investigations SRK and Navigator geologists reviewed two diamond drillholes drilled by CRAE in 1984. The location of these holes CDD001 and CDD002 is shown in Figure 4-11. This core now resides with the GSWA in Perth. These cores were briefly examined and show the following:

- There is a clearly definable weathered zone consisting of clays and soils at the top of the hole and silicified ironstone breccias (Figure 4-12). Hole CDD001 shows little in the way of visible micas in the weathered zone, while hole CDD002 shows significant amounts of mica in the weathered zone.
- Two rock types dominate the fresh material:
  - Massive white to pink coloured crystalline calcite. This unit often has inclusion of mica and trace pyrite is observable (Figure 4-13).
  - Dark coloured highly altered pyroxenite unit with magnetite crystals and substantial amounts of mica. Textually, the pyroxenite can show little foliation with coarse magnetite and mica grains (Figure 4-14), or the unit can be mica rich with strong foliations (Figure 4-15).
- The contact between the fresh and weathered zone is sharp (Figure 4-16).

Core recovery in the oxide looked quite reasonable, nonetheless, there are some areas noted by the drillers as being cavities.

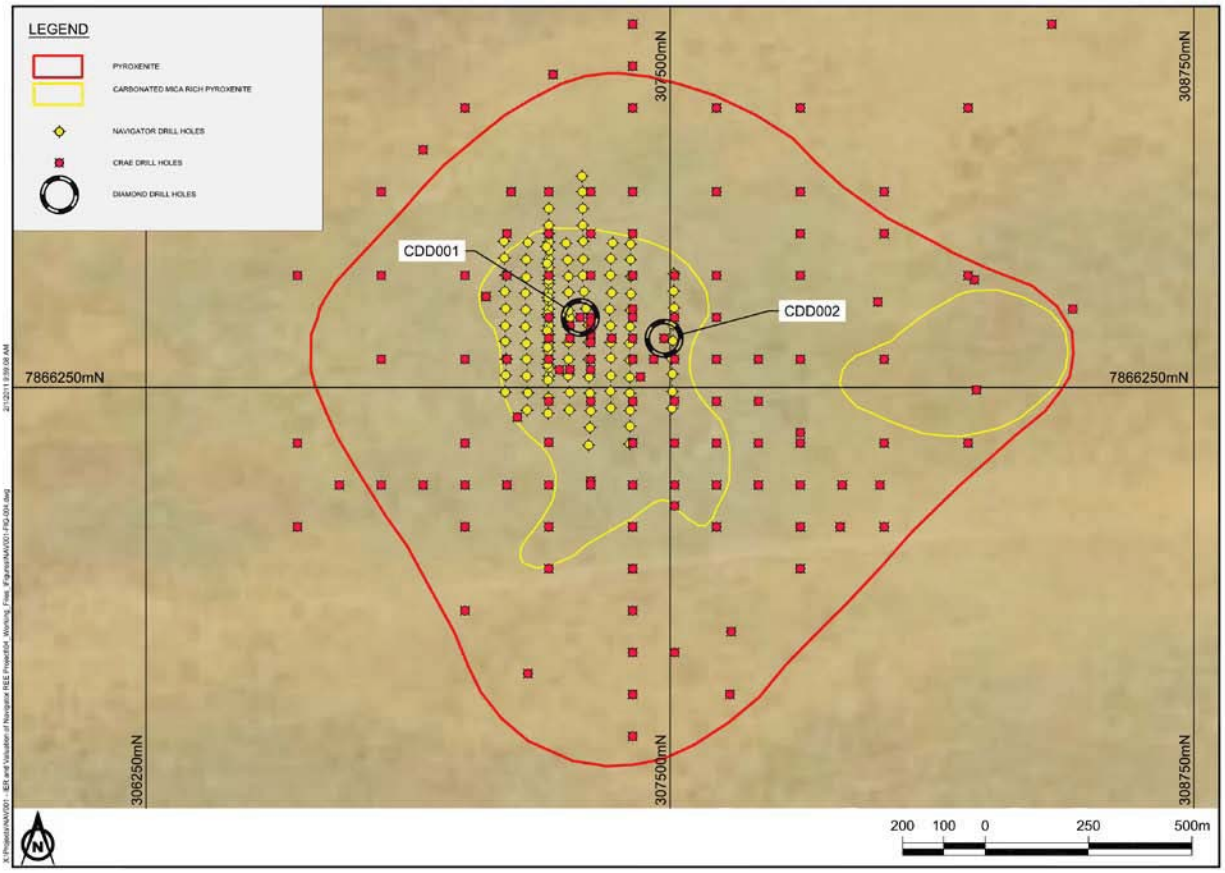

Figure 4-11: Cummins Range drilling showing location of CRAE diamond holes and zones of remaining potential over the carbonatite

Figure 4-11 was prepared by SRK from data supplied by Navigator, January 2011. AGD84 Zone 52 grid coordinate system.

Figure 4-12: Drillcore from Cummins Range in the highly weathered zones

Left = CDD001 at ~74 m showing the ironstone breccia. Right = CDD002 at ~55.5 m showing silicified ironstone breccia with abundant mica flakes.

Figure 4-13: Drillcore from Cummins Range in the carbonate rich fresh zone

CDD001 at ~152.5 m showing the massive pink coloured carbonatite with some mica rich zones.

Figure 4-14: Drillcore from Cummins Range in the pyroxenite rich fresh zone showing coarse-grained magnetite

CDD001 at ~97.5 m showing the coarse-grained magnetite (red circle) and mica (white circle) within a poorly foliated pyroxenite.

Figure 4-15: Drillcore from Cummins Range in the pyroxenite rich fresh zone

CDD001 at ~187 m showing the highly foliated pyroxenite.

Figure 4-16: Drillcore from Cummins Range showing the contact between fresh and weathered

CDD001 at ~90.1 m.

4.5.1 Drillcore data analysis

Examination of the core has shown that the weathered profile is somewhat different between the two holes, CDD001 being mica poor and CDD002 being mica rich. Both holes are drilled with an inclination of -60°. Figure 4-17 and Figure 4-18 show scatter plots, graphing the downhole sample "from" value (as a proxy for depth) and the grades of TREO, P_2O_5, U_3O_8 and Th for CDD001 and CDD002 respectively.

CDD001 clearly shows a higher-grade area for TREO, P_2O_5, U_3O_8 and Th for the first 90 m followed by generally lower grades (there is small zone of elevated grades at approximately 280 m). Drillcore logging by CRAE place the weathered fresh boundary at 90.1 m (and this is also shown in Figure 4-16). This is consistent with the commentary from Andrew (1990) and Weir (1989) which conclude that REE are enriched in the weathered profile.

CDD002 shows a different trend. Within the weathered zone, there are a few data of elevated REE, however most data is <0.3 % TREO.

Although the above analysis is based on only two drillholes, there is some indication that the geological zonation described by Andrew (1990) and Weir (1989) have a control on the REE grades.

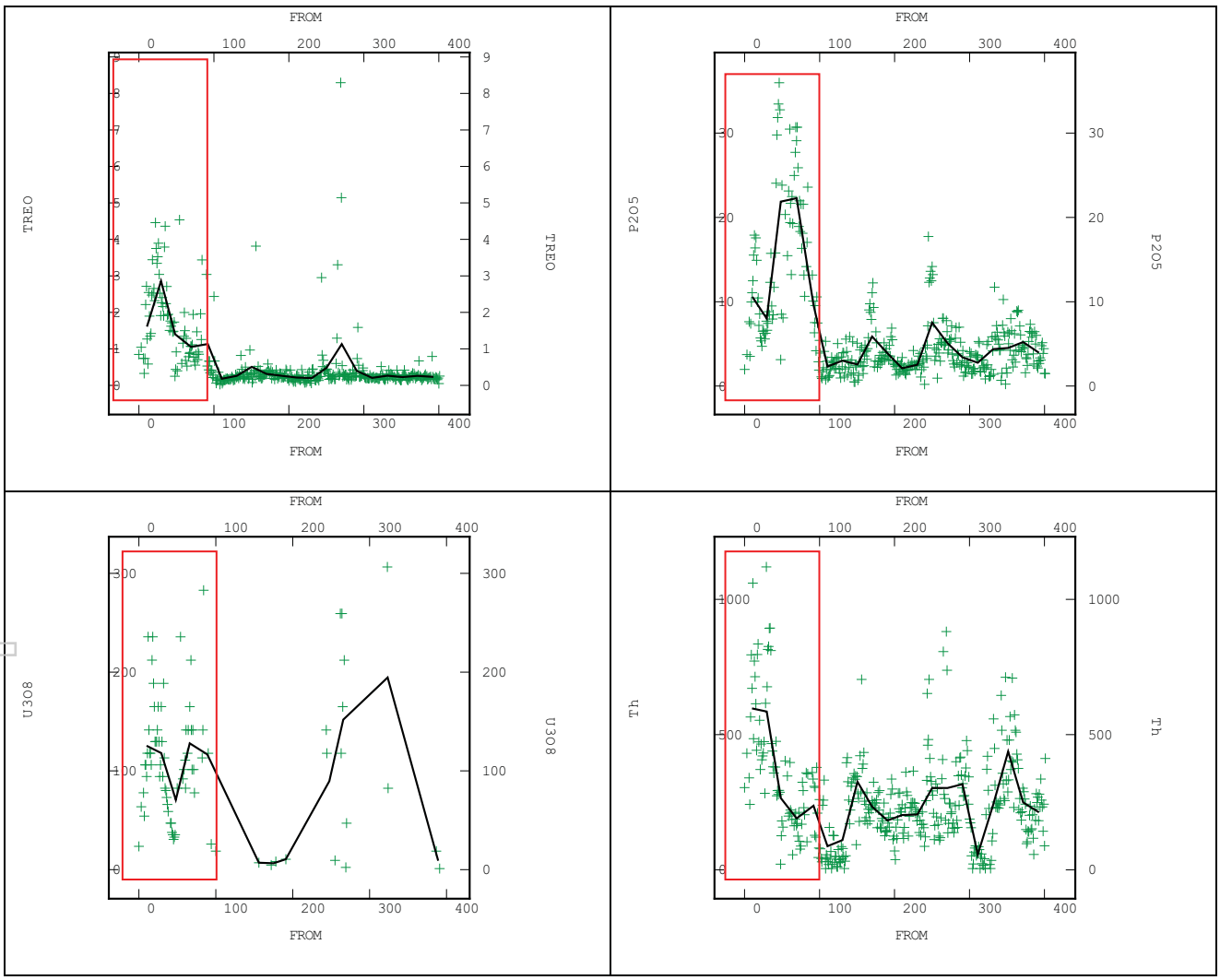

Figure 4-17: Analysis of grade by depth (CDD001)

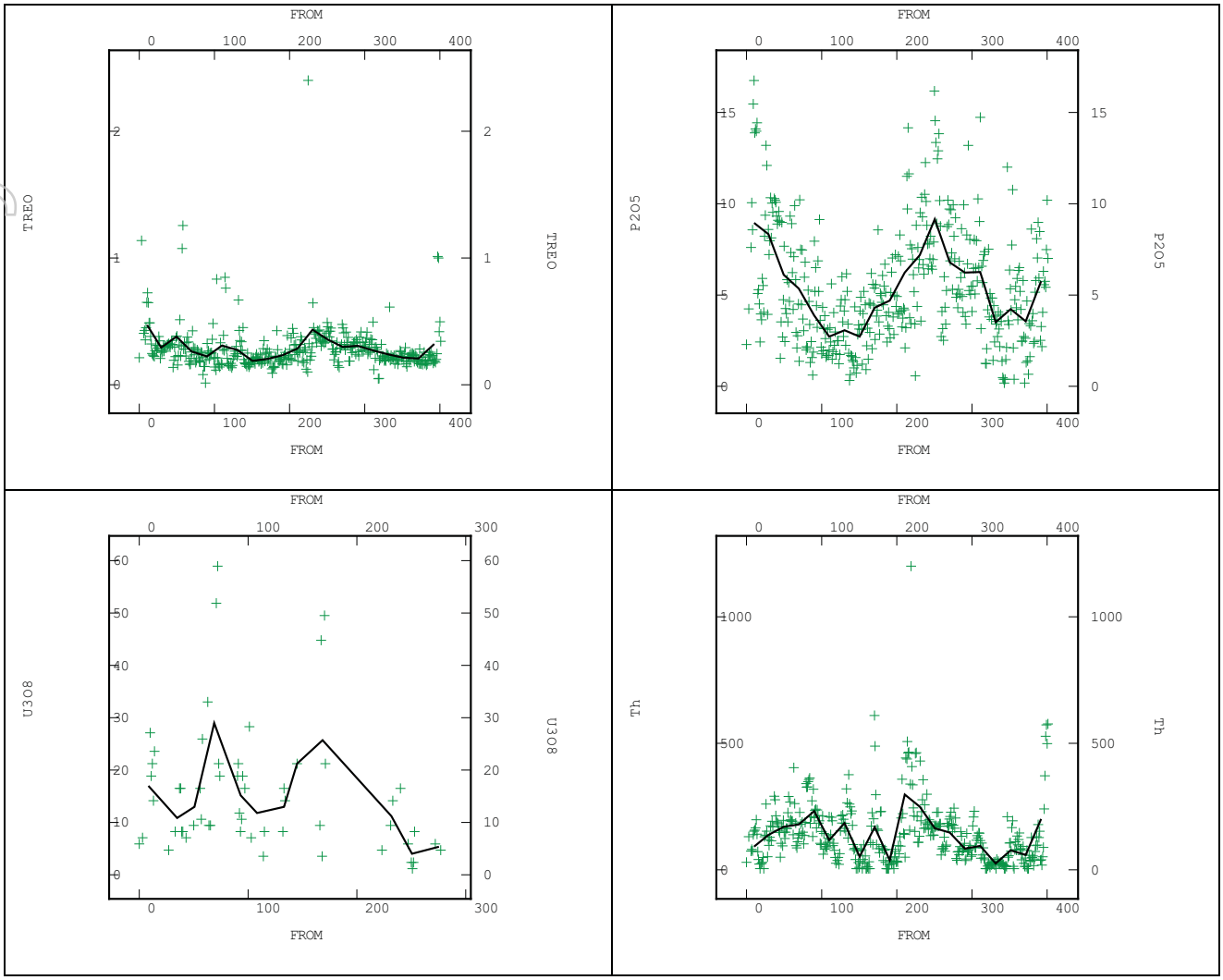

Figure 4-18: Analysis of grade by depth (CDD002)

4.6 Mineral Resources

Mineral Resources for the Cummins Range project have been estimated by Hellman and Schofield Pty Ltd (Hellman, 2009) and published by Navigator Resources on 17 September 2009 in an announcement to the Australian Stock Exchange Ltd (Navigator, 2009). Dr Phillip Hellman, of Hellman and Schofield Pty Ltd, is listed as the Competent Person for the published Resources. The Mineral Resources for Cummins Range are presented in Table 4-1 at three different cut-off grades. All mineral Resources are reported as Inferred Mineral Resources.

Table 4-1: Inferred Mineral Resources for the Cummins Range Deposit

COG	Tonnage	TREO	P_2O_5%	U_3O_8	Th
% TREO	Mt	%	%	ppm	ppm
3	0.32	3.705	13.29	369	56
2	1.09	2.789	11.98	299	50
1	4.17	1.719	10.97	187	41

Note: COG = Cut-off Grade; TREO = Total rare earth oxides including yttrium; LREO = Light REO (La-Nd); MREO = Middle REO (Sm-Dy); HREO = Heavy REO (Ho-Lu); Mt = Million Tonnes. Table reproduced from Navigator (2009).

Mineral Resources are estimated using only the drilling undertaken by Navigator. CRAE data was not used due the unreliability of the assay and sampling (Hellman, 2009). Weir (1989) reports that CRAE submitted samples to Pilbara Laboratories along with a range of monazite Quality Assurance/Quality Control (QA/QC) standards (which were independently certified using Neutron Activation Analysis). Even so, Weir (1989) reports that the aircore drilling and sampling techniques introduced a bias in the geochemical results. As such it appears reasonable to not use the CRAE data in Mineral Resource estimates.

Navigator (2009) describes the sampling procedure for the reverse circulation drilling programme defining the Mineral Resource. In summary the drilling and sampling involved:

1 Drilling using a 5.25 inch face sampling hammer.

2 Samples were collected at 1 m intervals. The sample was sub-sampled using a 9:1 riffle splitter.

Navigator (2009) report that most holes had good recovery although it is noted that some holes encountered high ground water flows and karst-type weathering voids.

Navigator (2009) report that samples were sent to Genalysis Assay Laboratory in Perth for analysis. Genalysis is accredited by the Australian National Association of Testing Authorities for REE with accreditation number 3244. Genalysis also undertook the analysis of REE at the Mt Weld project (Navigator, 2009). 1 m samples were assayed using peroxide fusion digest followed by inductively coupled plasma atomic emission spectroscopy (ICP-OES) and inductively coupled plasma mass spectroscopy ICP-MS methods. Navigator (2009) reports that some QA/QC was limited to intra-laboratory testing, however, SRK has not seen these data.

There was no formal QA/QC procedure for the Navigator drilling, that is no field duplicates were collected, no certified reference materials were used throughout the programme and no inter-laboratory checks were undertaken. Current industry practice is to include QA/QC sampling during the sampling to independently verify the precision and accuracy of the sampling and assaying results. Hellman (2009) notes that the due to the uncertainties associated with samples and QA/QC, the estimates are categorised as Inferred Resources.

The mineral resource estimation method is described by Hellman (2009). The method involved:

- The interpretation of mineralised boundary using 0.3 % TREO as the limit of mineralisation. This boundary restricts the resource to the oxidised portion of the carbonatite, consistent with the observed REE enrichment method.
- Data was composited to 3 m.
- Ordinary kriging was then used to estimate grade into 20 m x 20 m x 3 m blocks.
- An assumed density of 1.9 tonnes/m^3 was used to calculate the block tonnages. Although the density has not been measured, the assumed density does not appear unreasonable and is consistent with other similar deposits known to SRK.

In addition to the TREO analyses, Navigator have assayed for each REE species and this information will be important in future mine planning and metallurgical studies.

The Mineral Resource is very sensitive to cut-off grade as shown in Table 4-1. This can also be observed in cross section as shown in Figure 4-19. Here the high-grade REE are restricted to a small central core within the weathered zone. As a consequence, close-spaced drill and sampling must occur throughout the weathered zone until bedrock is reached to fully test the project area.

In plan view (Figure 4-20), there is an obvious northwest trend in the REE, a trend observed by Hellman (2009). This high-grade trend is not closed off by the Navigator drilling and only a limited number of very shallow CRAE holes occur in the area. This suggests that further high-grade resources could be drilled to the north west of the currently defined high-grade zone.

In addition to the TREO, U_3O_8, P2O5 and Th, Navigator have assayed for a broad range of minerals including niobium, commonly found within this environment.

In SRK's opinion, the Mineral Resource estimate is suitable for the nature and style of the mineralisation and the available data. Considering the limited geological domaining, assumed density and uncertain data quality, classification of the Mineral Resources as Inferred Resources is appropriate.

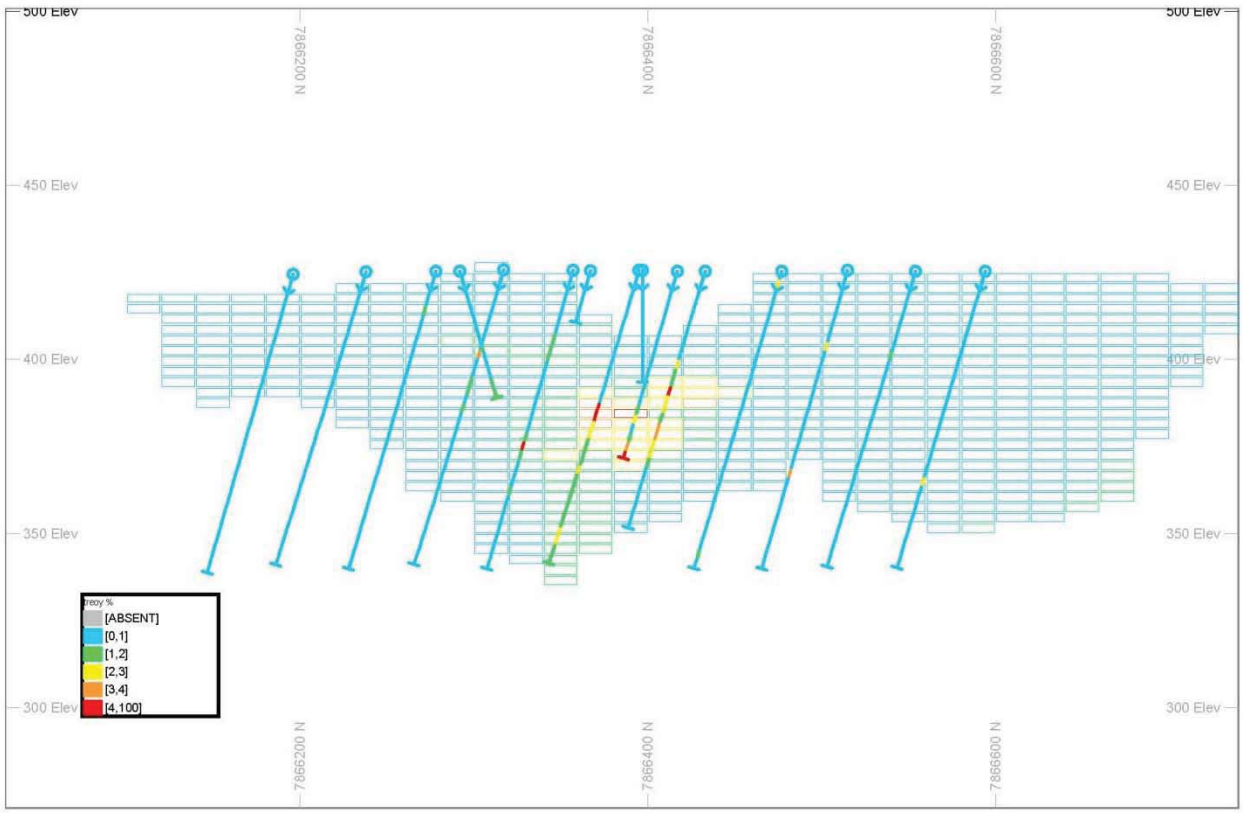

Figure 4-19: Cross section through the Cummins Range block model at 307 260 mE (Looking west)

Note: Section is at 307 260 mE ± 22.5 m. Colour coding is TREO%.

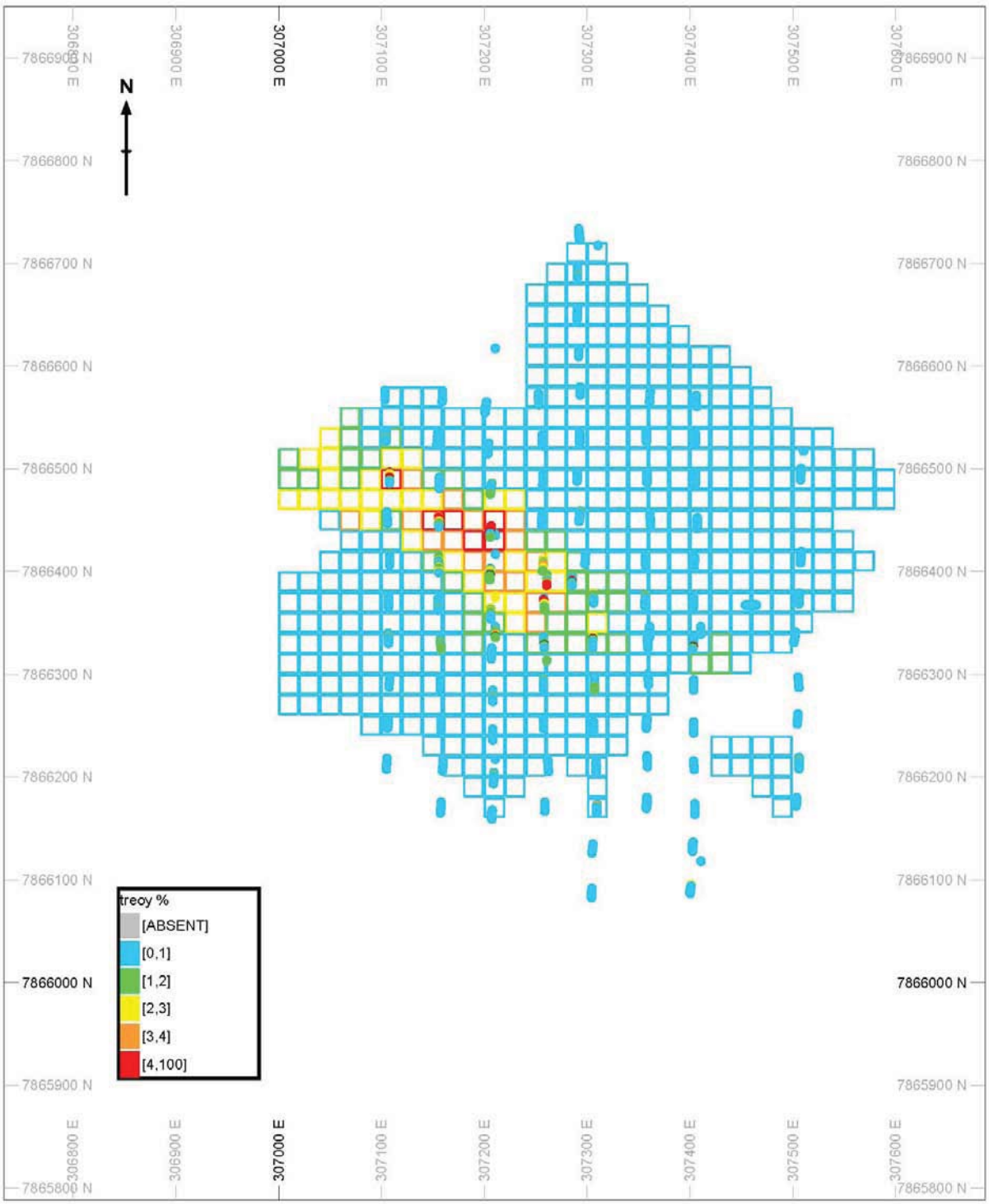

Figure 4-20: Plan of Cummins Range block model at 386 m RL

Note: Points are 3 m composite points coloured by TREO%. Section is at 380 m RL ± 10 m.

4.7 Proposed Exploration Programme and Budget

KRE provided SRK with proposed exploration programmes and budgets for two years post-listing (Table 4-2). KRE presented two versions of the programmes and budget (a 'Low' Budget and a 'High' Budget) to allow for minimum and maximum subscriptions scenarios.

The **Year 1 programme ('Low' Budget)** is aimed at testing the overall intrusion for further REE mineralisation both away from current resources and along the northwest strike extension of the higher-grade trend that is known within the current resource area.

KRE proposes to use aircore drilling (100 holes to average depth of 40 m for 4 000 m total) to explore the interpreted eastern carbonatite zone and other areas where anomalous REE has been intersected within the intrusion area.

The RC drilling programme (with allowance for 50 holes to an average depth of 100 m for 5 000 m) for the first year is planned to infill gaps (e.g. cross section 307 450E), to test the northwest strike extension and the northern area around the mineralisation on section 307 300E and possibly as follow up on the aircore drilling would also be included if results are available.

An allowance is also included for a component of diamond drilling (five holes at 100 m depth each) to gather QA/QC information by duplicating RC holes as well as obtaining samples for specific gravity ("SG") determinations and preliminary metallurgical testwork. KRE anticipates that this work will allow for conversion of much of the Inferred Resources into the Indicated category.

The analytical costs assume that there will be a certain number of 4 m composite samples that will not require the corresponding 1 m split samples to be assayed. Provision is also made for independent resource estimation and for project generation. There are other REE prospects known in the region (e.g. in the Halls Creek region and Orion Resources at Killi Killi on the WA/NT border).

The **Year 2 programme ('Low' Budget)** is designed to follow up on the previous year's results and to better define the known resources with the purpose of extending these resources and conducting further exploration on outlying prospects. In particular, for example the magnetic anomaly B155 will be tested to explain its magnetic source as well as assessing the potential of other magnetic and radiometric anomalies on the tenement that may not have been satisfactorily explained by previous work.

A further allowance of 4 000 m aircore (100 holes each to 40 m depth) would be used for the more regional exploration. In the resource area an allowance is made for a further 10 000 m RC drilling (100 holes to 100 m depth) to infill and extend the previously defined resources.

Diamond drilling (five holes for 100 m each) would be used mainly for more extensive metallurgical test work as well as QA/QC purposes and SG determinations.

Provision is also made for independent resource estimation and for more extensive project generation work than in the first year. Provision for a scoping study is also made as the project will be becoming quite advanced at this stage.

The **Year 1 programme ('High' Budget)** is similar to the 'Low' Budget in the type of work being performed but allows for more metres to be drilled in each drilling category as well as more metallurgical testwork and project generation work.

The **Year 2 programme ('High' Budget)** is also akin to the 'Low' Budget of the second year post-listing, but makes provision for more metres of regional aircore drilling and includes more extensive metallurgical testwork, including bulk sampling. Additional budget is provided for project generation and scoping study components.

The 'low budget' is summarised in Table 4-2 and Table 4-3 summarises the 'high budget'.

Table 4-2: Exploration budget summaries for Cummins Range Project Year 1 and Year 2, post-listing – 'Low Budget'

Year 1 'Low' Budget		Year 2 'Low' Budget		Total 'Low'
Activity	**Cost $**	**Activity**	**Cost $**	**Cost $**
Aircore drilling (4,000 m)	140,000	Aircore drilling (4,000 m)	160,000	300,000
RC resource drilling (5,000 m)	350,000	RC resource drilling (10,000 m)	800,000	1,150,000
Diamond drilling (500 m)	100,000	Diamond drilling (500 m)	110,000	210,000
Mobilisation/demobilisation	50,000	Mobilisation/demobilisation	60,000	110,000
Analytical (8,000 samples)	560,000	Analytical (10,000 samples)	750,000	1,310,000
Metallurgical testwork	150,000	Metallurgical testwork	500,000	650,000
Geologists	176,000	Geologists	300,000	476,000
Field Assistants	100,000	Field Assistants	212,500	312,500
Radiation Management	55,000	Radiation Management	114,400	169,400
Independent Resource estimation	30,000	Independent Resource estimation	70,000	100,000
Vehicles / Fuel	50,000	Vehicles / Fuel	50,000	100,000
Travel / Field support	50,000	Travel / Field support	75,000	125,000
Field Camp	50,000	Field Camp	60,000	110,000
Sample / core storage	10,000	Sample / core storage	60,000	70,000
Communication (sat phone)	20,000	Communication (sat phone)	15,000	35,000
Tenement rent / rates	10,000	Tenement rent / rates	20,000	30,000
Exploration rehabilitation	35,000	Exploration rehabilitation	10,000	45,000
Project Generation	60,000	Project Generation	60,000	120,000
	0	Scoping Study	140,000	140,000
Admin / Overheads	299,400	Admin / Overheads	300,000	599,400
TOTAL	**$2,295,400**	**TOTAL**	**$4,446,935**	6,742,335

Table 4-3: Exploration budget summaries for Cummins Range Project Year 1 and Year 2, post-listing – 'High Budget

Year 1 'High' Budget		Year 2 'High' Budget		Total 'High'
Activity	**Cost $**	**Activity**	**Cost $**	**Cost $**
Aircore drilling (6,000 m)	210,000	Aircore drilling (6,000 m)	240,000	450,000
RC resource drilling (7,000 m)	490,000	RC resource drilling (10,000 m)	800,000	1,290,000
Diamond drilling (1,000 m)	200,000	Diamond drilling (500 m)	110,000	310,000
Mobilisation/demobilisation	50,000	Mobilisation/demobilisation	60,000	110,000
Analytical (12,000 samples)	840,000	Analytical (14,000 samples)	1,050,000	1,890,000
Bulk Sampling	0	Bulk Sampling	750,000	750,000
Metallurgical testwork	200,000	Metallurgical testwork	500,000	700,000
Geologists	240,000	Geologists	255,000	495,000
Field Assistants	125,000	Field Assistants	130,000	255,000
Radiation Management	90,000	Radiation Management	80,000	170,000
Independent Resource estimation	30,000	Independent Resource estimation	50,000	80,000
Vehicles / Fuel	60,000	Vehicles / Fuel	90,000	150,000
Travel / Field support	60,000	Travel / Field support	75,000	135,000
Field Camp	60,000	Field Camp	75,000	135,000
Sample / core storage	15,000	Sample / core storage	20,000	35,000
Communication (sat phone)	25,000	Communication (sat phone)	25,000	50,000
Tenement rent / rates	10,000	Tenement rent / rates	10,000	20,000
Exploration rehabilitation	40,000	Exploration rehabilitation	75,000	115,000
Project Generation	90,000	Project Generation	175,000	265,000
	0	Scoping Study	500,000	500,000
Admin / Overheads	425,250	Admin / Overheads	760,500	1,185,750
TOTAL	**3,260,250**	**TOTAL**	**5,830,500**	9,090,750

4.8 Project Potential and SRK Comment

4.8.1 Cummins Range Carbonatite exploration potential

In SRK's opinion, the current Mineral Resource estimate at Cummins Range is suitable for the nature and style of the mineralisation and the available data. Considering the limited geological domaining, assumed density and uncertain data quality, classification of the Mineral Resources as Inferred Resources is appropriate.

KRE's proposed exploration programmes and budgets will address the uncertain data quality and assumed density limitations by obtaining specific gravity determinations. Proposed drilling should implement updated QA/QC sampling practices and resource modelling will allow more detailed geological domaining. Metallurgical studies will also form an important aspect of any future development plans and should be addressed with some priority.

The obvious northwest high-grade trend in the REE is not closed off by the Navigator drilling, and only a limited number of very shallow CRAE holes occur in the area. This suggests that further high-grade resources could be drilled to the north west of the currently defined high-grade zone. In addition to this, there is potential, within the limits of the carbonate complex, for additional phosphate, niobium and uranium mineralisation.

Other parts of the carbonatite have limited testing and systematic drilling should be directed at regolith areas developed over the zones mapped as amphibolites with carbonatite veins.

These areas are mostly immediately surrounding the previous Navigator drilling in the central carbonatite and an area just to the east of this, where historical drilling may have been too shallow to adequately test the regolith profile (Figure 4-11).

SRK also recommends that scoping studies should be commissioned to assess economics and metallurgy of TREO grades and tonnages. SRK notes that the infrastructure with respect to major roads and proximity to port is relatively good for the Project's remote location.

KRE has presented exploration programmes and budgets consistent with these objectives.

4.8.2 Regional exploration potential

Based on review of past exploration undertaken by CRAE and Navigator there have been a number of other discrete geophysical anomalies identified on the current ground and are underexplored including:

- Of the seven discrete magnetic anomalies that were initially identified by CRAE, three lie within E80/2232 (B149, B155 and B160) (Figure 4-2). B160 is defined as the Cummins Range Carbonatite. CRAE conducted geophysical surveys and drilling over the anomalies. Limited drilling has been undertaken at B149 and B155 by CRAE and Navigator (Table 4-4) (Figure 4-6).
- Regional drilling by CRAE over the anomalies cannot be accurately located because only local coordinates are available. CRAE concluded that the magnetic anomalies did not locate peripheral pyroxenite or carbonatite bodies and intersected either granitic gneisses or metasediments however the magnetic source of the anomaly was not identified.
- For B155 while there is some previous work, this remains inconclusive as the magnetic anomaly has not been explained. SRK considers that B155 is still a potential target for regional exploration within the western extension of the tenement although of medium priority. The aeromagnetics shows a small, discrete circular magnetic feature. Deeper drilling is required to further test the anomaly. It is also recommended that remodelling of the magnetics is undertaken to assist with drillhole planning
- All of the holes drilled by Navigator at target B149 intersected granite at average depth of 2.5 m and no anomalous assays were returned. Although these holes were quite shallow, there is little encouragement for further exploration and this prospect is considered to have limited potential.

Table 4-4: Regional drilling at Cummins Range

Anomaly	No. of Auger holes (1978) (CRAE)	Auger av. Hole depth (m)	No. of RAB holes (1978) (CRAE)	RAB av. Hole depth (m)	No. of AC holes (1982)* (CRAE)	No. of AC holes (2007) (Navigator)	AC av. Hole depth (m) (Navigator)	Total (holes)
B149	16	16	8	16	1	5	17.2	30
B155	14	5.2	3	5.3	1	-	-	18

*Average hole depth for CRAE's 1982 AC drilling of regional anomalies is 23.3 m based on 5 holes (Richards, 1984).

- Navigator has identified a number of other magnetic and radiometric anomalies north of the Cummins Range Carbonatite that may form part of an interpreted larger alkaline igneous complex represented by ring structures/complex in the magnetic (Figure 4-2) and Uranium-Thorium radiometric anomalies.
- Navigator has tested the magnetic and radiometric anomalies north of the carbonatite with 127 AC holes (Figure 4-6) in 2007 but no mineralisation was identified.
- However, SRK believe there is regional exploration potential to further test the northern ring complex although of low priority. Only two drilling traverses cross the magnetic anomaly of the ring complex trending north-northwest.
- CRAE undertook RAB drilling in 1978 in the northern portion of the ring complex along a 1.8 km traverse in an east-west direction with holes every 100 m or 200 m apart. Drilling totalled 206.1 m (12 holes) with an average hole depth of 17. 2 m. Six holes intersected altered ultramafics at average depth of 9 m but no anomalous assay results. There also does not appear to be a well-developed weathering profile.

- Navigator undertook AC drilling in 2007 along a road traverse through the interpreted larger alkaline igneous complex and 8 holes where drilled in the southern portion of the ring complex. The holes were every 100 m apart along a 700 m traverse in a northeast-southwest direction. Drilling totalled 420 m with an average hole depth of 52.5 m. The holes intersected either granitoid, mafic or sedimentary rocks at an average depth of 20 m. There were no anomalous assay results.
- Although along theses traverses no further targets were identified, SRK concludes that with the evidence for ultramafics within the anomaly, the distance between the two traverses is 2 km, and untested, SRK suggests the magnetics represent a potential target. Drilling is required to bedrock to further test the anomaly.

The regional magnetics may suggest sources at deeper depths and therefore require drill testing to deeper depths. Previous drilling at B155 for example has only been drilled to limited depth extent, in the order of 30 m. Shallower holes may miss mineralisation since mineralisation at the Cummins Range Carbonatite was intersected in some holes at 50 m within the weathering profile. Although if future drilling intersects bedrock at shallow depths with limited regolith profile development there would be low potential for high-grade mineralisation.

SRK notes that KRE has made provision in its budgets for a component relating to Project Generation and considers this an appropriate management strategy as currently the Company has exposure to a single asset.

5. Conclusions and Recommendations

KRE offers exposure to the REE sector with access to an advanced exploration target with demonstrated REE mineralisation that requires immediate drilling of targets to further assess. There is considerable potential to extend the currently known resource and to identify additional mineralisation within the Cummins Range Carbonatite and potentially elsewhere within the tenement. The asset is restricted to a single Exploration Licence, covering 48.5 km^2 but within this lease a number of targets remain untested.

KRE landholdings cover a single lease; Exploration Licence 80/2232, granted on 4 May 2001 and the current expiry date is 3 May 2011. KRE has advised SRK, that between 2001 and 2011, Navigator Resources' actual exploration expenditure has been $2.59 million compared to a minimum expenditure commitment of $512,700. KRE will be lodging extension of terms documents during March 2011 and are confident that the lease will be renewed before the anniversary date given their exploration expenditure has been some five times the minimum requirement. Nonetheless, SRK notes that KRE strategy relies on a positive outcome to the lease extension.

The Cummins Range resource offers the best target for exploration success, where a northwest high-grade REE trend remains open beyond the extents of current drilling. Previous Mineral Resource estimations are appropriate to the level of understanding at this time, but increased confidence in the Resource will require additional drill testing.

Within the extents of the Cummins Range Carbonatite, other areas have not been exposed to modern, systematic drill testing. Historical drillholes across such areas were typically shallow and did not fully test the regolith profile.

There also remains moderate exploration potential across other areas of the lease related to geophysical targets that again have not been thoroughly assessed. The magnetic source rocks for discrete magnetic anomalies has not always been identified and historical exploration data is incomplete so that drillhole locations are not understood.

The Cummins Range Project secured by KRE is considered to be an "advanced exploration area" and is therefore speculative in nature, involving some degree of exploration risk. Further exploration may fail to demonstrate any economic mineralisation. Nevertheless, KRE has acquired the mineral tenement on the basis of sound geological concepts and technical merit. The Cummins Range Project is considered to be highly prospective for REE mineralisation as well as phosphate, niobium and uranium mineralisation, and in SRK's opinion further exploration is justified at the budgetary level proposed by KRE.

SRK considers that further exploration is justified at the budgetary levels proposed by KRE. A total budget of $5.675 million has been allocated to exploration on the Cummins Range Project by KRE over the next two years post-listing, which is sufficient to complete the exploration programmes presented by the Company.

6. References

This Report contains statements attributable to third persons. These statements are made in, or based on, statements made in the previous geological reports that are publicly available from either a government department or the ASX. The authors of these previous reports have not consented to the statements' use in this Report, and these statements are included in accordance with ASIC Class Order [CO 07/428] *Consent to quote: Citing trading data and geological reports in disclosure documents and PDS*.

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11 March 2011

The Directors
Kimberley Rare Earths Limited
45 Richardson Street
WEST PERTH WA 6005

Dear Sirs

SOLICITOR'S REPORT ON MINING TENEMENT

1 Introduction

This report is prepared for inclusion in a prospectus to be issued by Kimberley Rare Earths Limited (***Company***) for the issue of up to 71,549,035 fully paid ordinary shares at $0.20 each to raise up to $14,309,807, to be dated on or about 11 March 2011 (***Prospectus***).

The report relates to Western Australian exploration licence 80/2232 (***Tenement***) in which the Company has a right to acquire up to an 80% interest. An overview of the Tenement is contained in Schedule 1 which is attached to and, forms part of this report.

This report does not contain an exhaustive list of all applicable endorsements and conditions relating to the Tenement and the mining tenement register maintained by the Western Australian Department of Mines and Petroleum (***DMP***) should be searched for a full list of the endorsements and conditions affecting the Tenement.

2 Searches

For the purpose of this report, we have obtained and reviewed:

(a) a search of the Tenement in the mining tenement register maintained by the DMP. The DMP search was conducted on 11 March 2011; and

(b) a "Quick Appraisal" report of the Tenement from the DMP summarising information available in the online "TENGRAPH" system maintained by the DMP. This search was conducted on 8 February 2011.

3 Opinion

As a result of the searches and enquiries, but subject to the assumptions and qualifications set out in this report, we are satisfied that as at the date of the searches above:

(a) this report provides an accurate statement as to the status of the Tenement;

(b) unless otherwise specified in the report, the Tenement is validly granted and in good standing; and

(c) this report provides accurate statements as to third party interests, including encumbrances, in relation to the Tenement as apparent from our searches and information provided to us.

4 Assumptions and Qualifications

In this report:

(a) we have assumed the accuracy and completeness of the results of the search of the registers maintained by DMP and other information obtained from DMP;

(b) we have assumed that all contracts, agreements or arrangements we reviewed were within the capacity and powers of and were validly authorised, executed and delivered by and binding on each party to them and, where applicable, duly stamped;

(c) we note that the continued holding of the Tenement is subject to compliance with the terms and conditions of the relevant legislation and any applicable agreements;

(d) we have assumed the accuracy and completeness of any instructions, documents and information given to us by the Company or any of its officers, employees, advisers, agents or representatives;

(e) we have assumed that the responses to any questions which we have put to the directors, officers, employees, advisers and agents of the Company have been true and accurate in all respects and have not contained any material omissions;

(f) we have assumed that there were no documents other than those which were disclosed to us which related to the issues we examined;

(g) we have assumed that all material matters (including contracts and other documents) have been advised or provided to us by the directors, officers, employees, advisers, agents and representatives of the Company in response to our inquiries;

(h) we have assumed that no terms of any of the contracts, agreements or arrangements we reviewed have been or are currently in breach;

(i) where compliance with the requirements necessary to maintain the Tenement in good standing is not disclosed on the searches obtained, we express no opinion on such compliance;

(j) we have assumed that the future act provisions of the *Native Title Act 1993* (Cth) have been complied with;

(k) references in Schedule 1 to the area of land are taken from details in the searches obtained. It is not possible to verify the accuracy of the land area without conducting a survey; and

(l) where Ministerial consent to any agreement or dealing in relation to the Tenement is being or will be sought, we express no opinion as to whether such consent will be granted or the consequences of it being refused.

This report only relates to the mining law applicable to the Tenement as at the date of this report. This report is limited to the matters expressly contained within it.

Mining Tenements Generally.

The Company intends acquiring the Tenement in Schedule 1 under the acquisition agreement summarised in Section 11.3 of this Prospectus.

The Tenement comprises a granted exploration licence under the *Mining Act 1978* (WA) (***Mining Act***).

The holder of a mining tenement under the Mining Act is permitted to explore for all minerals including oil shale, but excluding soil, petroleum or a geothermal energy resource (which are all governed by the *Petroleum and Geothermal Energy Resources Act 1987* (WA)), and sand or clay which occurs on private land. The Mining Act also excludes the holder of a mining tenement from exploring for or mining iron, unless the Minister specifically authorises the holder of the mining tenement to do so and endorses the mining tenement title, accordingly.

Amendments to the Mining Act were passed by Parliament on 26 October 2004 and came into effect from 10 February 2006. Tenements applied for prior to 10 February 2006 are subject to different terms and conditions to mining tenements applied for and granted after 10 February 2006. The Tenement was applied for on 3 October 1996 and granted on 4 May 2001.

Exploration Licences

Exploration licences are described by graticular blocks, with individual graticular blocks ranging in area from approximately 2.8km² to 3.3 km² depending on where a block is located within Western Australia. One exploration licence may include up to a maximum of 70 graticular blocks. There is no limit on the number of exploration licences which may be held by any one person.

An exploration licence authorises the holder to enter the land the subject of the exploration licence to explore for minerals with vehicles, machinery and equipment as may be necessary or expedient for the purpose of exploring for minerals in, on or under the land.

An exploration licence applied for before 10 February 2006 remains in force for a period of five years. It may, on application and in 'prescribed circumstances', be extended by a period of one or two years and then for one further period of one or two years. In 'exceptional circumstances' the Minister may extend the term for an additional period or periods of one year. Under

Regulation 23AB of the *Mining Regulations 1981* (WA) (***Mining Regulations***), grounds for extension exist if:

(a) the exploration program could not be completed or is restricted by impractical conditions because of difficulties and delays (amongst other things) in gaining access to the land because of unfavorable climatic conditions;

(b) the land the subject of the licence has for any reason the Minister considers sufficient been unworkable for the whole or a considerable part of any year of the term; or

(c) work already carried out under the licence justifies further exploration.

At the end of the third year of the licence, at least half of the exploration licence must be relinquished or converted to a mining lease. At the end of the fourth year at least half of the remaining licence must again be relinquished or converted to a mining lease.

The registered holder of an exploration licence may, as of right, while the exploration licence continues in force, apply for and, subject to the Mining Act and any conditions on which the exploration licence is held, have granted one or more mining leases over any part or parts of the land the subject of the exploration licence. Where an application for a mining lease is made and the term of the exploration licence expires prior to the grant of the mining lease, the exploration licence will continue in force in respect to the land the subject of the application for a mining lease until the application for a mining lease is determined.

Annual rent for an exploration licence is $121.11 (including GST) per block for years one to three of the term of the licence, $188.43 (including GST) per block for years four and five of the term of the licence, $255.75 (including GST) per block for years six and seven of the term of the licence and $484.33 (including GST) per block for year eight and each subsequent year of the term of the licence (based on rental rates as at 1 July 2010).

Exploration licences are subject to minimum annual expenditure requirements which are calculated at not less than $1,000 per block for years one to three of the term of the licence (subject to minimums of $10,000 for licences of one block only, $15,000 for licences of two to five blocks and $20,000 for licences of six or more blocks); not less than $1,500 per block for years four and five of the term of the licence (subject to minimums of $10,000 for licences of one block only, $20,000 for licences of two to five blocks and $30,000 for licences of six or more blocks); not less than $2,000 per block for years six and seven of the term of the licence (subject to minimums of $15,000 for licences of one block only, $30,000 for licences of two to five blocks and $50,000 for licences of six or more blocks); and not less than $3,000 per block for years eight and each subsequent year of the term of the licence (subject to minimums of $20,000 for licences of one block only, $50,000 for licences of two to five blocks and $70,000 for licences of six or more blocks) (based on expenditure requirements as at 1 July 2010).

The holder of an exploration licence may apply for exemption from compliance with minimum expenditure requirements on certain grounds set out in the Mining Act or at the discretion of the Minister. A failure to comply with

expenditure requirements, unless exempted, renders the exploration licence liable to forfeiture.

Tenement Conditions and Forfeiture

Mining tenements granted in Western Australia are subject to various conditions prescribed by the Mining Act. The conditions provide for the payment of rent, minimum expenditure and reporting requirements. In addition, standard conditions are imposed addressing environmental and heritage issues. The Minister (or the Warden or mining registrar in the case of a prospecting licence) may also impose specific conditions on a mining tenement such as restrictions on mining or access.

If a registered mining tenement holder fails to comply with the annual minimum expenditure requirement, that person may apply to the DMP for an exemption from expenditure for that year. If an exemption from expenditure is refused, or a registered holder of a mining tenement fails to comply with any other condition imposed on the mining tenement, then the mining tenement will be liable to forfeiture under the Mining Act.

Forfeiture of Exploration Licences

If an exemption from expenditure is refused or a registered holder of an exploration licence fails to comply with a condition imposed on a granted exploration licence, fails to pay rent or a statutory royalty, fails to comply with certain provisions of the Mining Act, or is convicted of an offence under the Mining Act, then the Minister may cause the exploration licence to be forfeited, or impose a penalty not exceeding $50,000.

Also, in addition to Ministerial forfeiture, any person may make an application to the Warden for the forfeiture of an exploration licence for failure to comply with the requirements of the Mining Act in respect of the expenditure conditions applicable to that licence. An application for forfeiture must be made during the expenditure year in relation to which the requirement is not complied with, or within eight months thereafter. Applications for forfeiture by a third party, if successful, can result in either an order for forfeiture or the imposition of a fine. A Warden may only make a recommendation of forfeiture to the Minister if the Warden is satisfied that the non-compliance is of sufficient gravity to justify the forfeiture of the mining tenement.

Securities

An applicant for an exploration licence is required to lodge a security for compliance with the conditions to which the tenement, if granted, will from time to time be subject and with the provisions of the Mining Act and the Mining Regulations. This mandatory security must be lodged with the mining registrar within 28 days after lodging the relevant application. As at 1 July 2010, the amount of the security required is $5,000.

In addition, the Minister may require the holder of an exploration licence to lodge at the office of the mining registrar or the DMP at Perth an additional security for compliance with conditions imposed in relation to the licence for prevention or reduction of injury to land. The amount of this additional security

is determined by the Minister on a case by case basis, and may be varied by the Minister by instrument in writing.

Where a mining tenement is granted in respect of reserved land (e.g. national parks, state forests, marine and timber reserves), a condition is commonly imposed requiring any person carrying out mining operations on the land to make good injury to the surface of the land (or injury to anything on the surface thereof). If default is made in making good any such injury, the person having the control and management of such land may carry out the work necessary to do so, and may recover the cost of doing so from the person in default. In such circumstances, the person carrying out mining operations will be required to lodge a security to cover the probable cost of the work of making good the injury. As above, the amount of this additional security is determined by the Minister on a case by case basis, and may be varied by the Minister in writing.

Securities must be lodged in the prescribed form and may be by bond or such other method as the Minister approves. Bonds remain registered and enforceable until retired by the Minister; usually, where the Minister is satisfied that the relevant obligation(s) have been met by the tenement holder(s) at the conclusion of mining operations on the relevant tenement. Prior to the registration of any transfer of interest or conversion of a tenement to which a bond applies, a complying substitute bond in the name(s) of the new holder(s) or for the converted tenement must be provided. The previous bond will only be retired following registration of the new bond and the transfer of interest or conversion.

5 Status of the Tenement

(a) The Tenement is due to expire on 3 May 2011. We are instructed that climatic conditions restrict access to approximately 6 months of each year and that Navigator Resources Limited has, during its term, expended approximately $2.4m on the Tenement. In these circumstances grounds for extension of the Tenement exist.

(b) As noted above, the Minister's power to extend the term of the Tenement for a further year is discretionary.

(c) An application to extend the term was lodged with the DMP on 4 March 2011. Enquiries with the DMP indicate that the application appears in order and will be processed as a matter of urgency.

6 Native Title

Access to much of the land in Australia for the purpose of conducting commercial activities such as mining is governed by certain Commonwealth and State legislation which outlines procedures that must be followed to gain access to land.

Native Title Act

On 3 June 1992, the High Court of Australia held in *Mabo v. Queensland (no. 2)* (1992) 175 CLR 1 that the common law of Australia recognises a form of native title. The Commonwealth Parliament responded to the Mabo

decision by passing the *Native Title Act 1993* (Cth) (**NTA)** which came into operation on 1 January 1994.

Native Title Claims

Persons claiming to hold native title may lodge an application for determination of native title with the Federal Court. The Federal Court will then refer the application to the Native Title Registrar of the NNTT for the application of the registration test. If the Native Title Registrar is satisfied that the lodged claim meets the registration requirements set out in the NTA, it will be entered on the Register of Native Title Claims (**Register**) maintained by the NNTT. Registered Claimants are given certain procedural rights in relation to "Future Acts" under the NTA including the "right to negotiate" procedure.

Future Acts

A Future Act is a proposed activity or development on land and/or waters that may affect native title, including the grant of mining or exploration tenements granted post 1 January 1994. Claimants' gain the right to negotiate in relation to the grant of those interests if their native title claim is registered at the time the government issues a notice (known as a section 29 notice), stating it intends to do the act (i.e. grant the tenement) or is registered within four months of that time.

Claims which do not meet the registration requirements are recorded on the Schedule of Applications Received. Such claims may be entered on the Register at a later date if additional information is provided by the claimant that satisfies the Registration Test.

Right to Negotiate Procedure

Under the right to negotiate procedures, parties are required to negotiate in relation to the grant of the proposed Future Act, eg the grant of a mining tenement. Negotiations are initiated to obtain the agreement of the relevant native title parties to the carrying out of the proposed Future Act on the native title land. The right to negotiate procedure consists of a statutory six month period of negotiation between the relevant government party, the native title party and the grantee, during which time the parties must negotiate in good faith.

Generally, the grantee party and the registered native title claim group come to an agreement in relation to the grant of the tenement. If parties cannot reach agreement as to the terms of grant, a negotiation party may apply to the NNTT (as the arbitral body) to make a determination as to whether the grant may proceed (and if so, on what conditions). Subject to Federal Ministerial intervention the agreement of the parties, or the decision of the NNTT, will determine whether the mining interest is granted.

It is important to note that where it is proposed to convert from an exploration licence or prospecting licence to a mining lease and native title claims are lodged and registered, it will be necessary to go through the right to negotiate process with any native title holders or claimants whose claims are accepted for registration at the relevant time, unless the Company enters into an agreement with the claimants relating to conversion.

Expedited Procedure

Some Future Acts might have minimal impact on native title rights and interests and many qualify for "fast tracking". This process is known as "expedited procedure" and it is State Government policy that it will apply to the grant of exploration and prospecting licences in Western Australia where the applicant has executed a Regional Standard Heritage Agreement (**RSHA**) or has an existing Alternative Heritage Agreement (**AHA**) in place. In the absence of such an agreement the applications will be processed under the right to negotiate regime (discussed above).

A RSHA or AHA is drafted to address Aboriginal heritage issues on the area the subject of a tenement. They generally provide for the native title party to withdraw their objection to the expedited procedure and consent to the grant of the tenement upon the terms of the agreement. Amongst other things, the RSHA or AHA will generally require the conduct of a heritage survey prior to the conduct of most exploration activity. A heritage survey involves members of the claim group and generally an anthropologist or heritage officer walking over the land and discussing the proposed exploration activity and its impact on any heritage issues and identifying any areas to be protected or excluded from some activity. The costs of the heritage survey are met by the registered tenement holder.

If the proposed grant is advertised under the expedited procedure, native title parties can lodge an objection. An objection by a native title party is not an objection to the tenement being granted, but is an objection to the application being fast-tracked. If there is no objection lodged, the tenement can be granted. If an objection is lodged to the grant of the tenement under the expedited procedure, the parties may either negotiate and reach agreement, or apply to the NNTT for a determination.

Some claimant groups will lodge an objection despite a RSHA being executed. Generally this is because they will seek a more 'favourable' agreement. In these circumstances it is open to the tenement applicant to agree to additional terms with the claimant group, or apply to the NNTT for a determination. Generally, where the applicant has executed a RSHA or AHA and there are no registered sites in the area of the tenement then the NNTT will determine the tenement can be granted.

Native Title Status of the Tenement

The Tenement relates to land which is currently the subject of a native title claim by the Lamboo People (Federal Court no WAD6095/98). Additional claims may be made in the future over the area of the Tenement.

The Tenement is endorsed with the following: "Persons claiming native title to the land the subject of this mining tenement entered into a deed under the Native Title Act 1993 with the State of WA, the Minister for Mines, and the tenement holder agreeing to the grant of the tenement."

We have been provided with a copy of the Native Title and Heritage Protection Agreement between the Kimberley Land Council Aboriginal Corporation and Navigator Resources Ltd dated 19 April 2001 ("Heritage Agreement"). The Heritage Agreement provides for the KLC, as authorised by the native title claimants, to consent to the grant of a number of tenements including E80/2232 subject to the terms and conditions of the agreement.

The Heritage Agreement provides that the Tenement holder will not commence any ground disturbing exploration work without conducting a Heritage Impact Assessment of the activity and we are advised that the Tenement Holder has conducted a work program clearance survey for aircore and RC drilling on the Tenement.

The Heritage Agreement also provides, amongst other things, for the Tenement holder to make an annual payment to the trust account of the Lamboo People 4% of minimum annual expenditure commitment for the Tenement; to use best endeavours to provide employment, economic opportunities and provide benefits to the Traditional Owners; and to minimise the social and environmental impacts of its activities.

To the extent that native title has not been extinguished with respect to the underlying land, it is important to note that where it is proposed to convert the Tenement to a mining lease and native title claims are lodged and registered, it will be necessary to go through the right to negotiate process with any native title holders or claimants whose claims are accepted for registration at the relevant time.

We have not undertaken the considerable historical, anthropological and ethnographic work that would be required to determine the likelihood that existing native title claims may be successful, or the possibility of any further native title claims being made in the future. In addition, we have not undertaken any investigations that would determine the content of any individual rights claimed in or under any native title claim over the Tenements.

7 Aboriginal Heritage

Tenements in Western Australia are granted subject to an endorsement reminding the tenement holder of its obligation to comply with the requirements of the *Aboriginal Heritage Act 1972* (WA) (**Heritage Act**).

The Heritage Act protects sites and areas of significance to Aboriginal people. The Minister of Indigenous Affair's consent is required where any use of land is likely to result in the excavation of or damage to an Aboriginal site or any object on or under that site.

There is no requirement or need for a site to be registered in any public manner or be in any way acknowledged as an Aboriginal site for it to qualify as an Aboriginal site for the purposes of the Heritage Act. A register of sites is maintained by the Aboriginal Affairs Department of Western Australia.

We have not conducted a search of that register for the purposes of this Report. The Heritage Act applies to all Aboriginal sites and objects, whether or not they are registered under the Heritage Act.

In respect of any Aboriginal sites that are ultimately identified on any of the Tenements, the Company will need to ensure that any interference with such sites is in strict conformity with the provisions of the Heritage Act.

The *Aboriginal and Torres Strait Islander Heritage Protection Act 1984* (Cth) also affords some protection to Aboriginal sites. This Act applies to all of the Tenements and is aimed at the preservation and protection from desecration of significant Aboriginal areas and significant Aboriginal objects. An area or object is found to be desecrated if it is used or treated in a manner inconsistent with Aboriginal tradition. We have not conducted any searches in this regard.

8 Consents

This report is provided solely for the benefit of the Company and the directors of the Company in connection with the issue of the Prospectus and is not to be relied on or disclosed to any other person or used for any other purpose or quoted or referred to in any public document without our prior written consent.

Fairweather Corporate Lawyers consents to being named in the Prospectus as the authors of this report.

Fairweather Corporate Lawyers has given, and has not before the lodgement of this Prospectus, withdrawn its consent to the inclusion of this report in the Prospectus.

9 Disclosure of Interest

Fairweather Corporate Lawyers will be paid normal and usual professional fees for the preparation of this report and related matters, as set out elsewhere in the Prospectus.

Yours faithfully

Fairweather
Corporate Lawyers

FAIRWEATHER
CORPORATE LAWYERS

SCHEDULE 1

Holder / Applicant	Application Date	Grant Date	Expiry Date	Area	Registered Dealings / Relationships	Annual Expenditure	Endorsements / Conditions	Native title notes
Navigator Resources Ltd	03/10/1996	04/05/2001	03/05/2011	4848.66 Ha.	Mortgage 331617 in favour of RMB Australia Holdings Ltd lodged 1 October 2009 Bond 264680 lodged 16 April 2007 in favour of the Hon. Minister for Mines and Petroleum in the sum of $10,000	$70,000		

Notes to Schedule

Endorsements (E)

1.	Pursuant to the Savings and Transitional Provisions of the Mining Amendment Act 1990 all land surrendered, forfeited (other than forfeiture by plaint action) or expiring from a non-graticular exploration licence will automatically be included into a graticular exploration licence, provided the surrender, forfeiture or expiry occurred after the grant of the graticular licence.
2.	The Licensee's attention is drawn to the provisions of the Aboriginal Heritage Act, 1972
3.	Persons claiming native title to the land the subject of this mining tenement entered into a deed under the Native Title Act 1993 with the State of Western Australia, the Minister for Mines and the tenement holder agreeing to the grant of the tenement.Copies of the deed were given to the National Native Title Tribunal pursuant to Section 34 of the Native Title Act and filed at the Department of Minerals and Energy.

Endorsements and Conditions

		Start date
1.	All surface holes drilled for the purpose of exploration are to be capped, filled or otherwise made safe after completion	04/05/2001
2.	All costeans and other disturbances to the surface of the land made as a result of exploration, including drill pads, grid lines and access tracks, being backfilled and rehabilitated to the satisfaction of the Environmental Officer, Department of Industry and Resources (DoIR). Backfilling and rehabilitation being required no later than 6 months after excavation unless otherwise approved in writing by the Environmental Officer, DoIR.	12/08/2005
3.	All waste materials, rubbish, plastic sample bags, abandoned equipment and temporary buildings being removed from the mining tenement prior to or at the termination of exploration programme.	04/05/2001
4.	Unless the written approval of the Environmental Officer, DoIR is first obtained, the use of scrapers, graders, bulldozers, backhoes or other mechanised equipment for surface disturbance or the excavation of costeans is prohibited. Following approval, all topsoil being removed ahead of mining operations and separately stockpiled for replacement after backfilling and/or completion of operations.	12/08/2005
5.	The licensee notifying the holder of any underlying pastoral lease by telephone or in person, or by registered mail if contact cannot be made, prior to undertaking airborne geophysical surveys or any ground disturbing activities utilising equipment such as scrapers, graders, bulldozers, backhoes, drilling rigs, water carting equipment or other mechanised equipment.	04/05/2001
6.	The licensee or transferee, as the case may be, shall within thirty (30) days of receiving written notification of: • the grant of the licence; or • registration of a transfer introducing a new licensee; advise, by registered post, the holder of any underlying pastoral lease details of the grant or transfer.	04/05/2001
7.	The construction and operation of the project and measures to protect the environment being carried out generally in accordance with the document titled: "Programme of Works for Navigator Resources Ltd. On E80/2232 (EXP:6266)" dated 2 March 2007 signed Tom Sanders and retained on Department of Industry and Resources File No. T2338/200501.	30/05/2007
8.	Where a difference exists between the above document(s) and the following conditions, then the following conditions shall prevail.	30/5/2007
9.	The Licensee arranging lodgement of a Bond in favour of the Minister responsible for the Mining Act 1978 30/05/2007 for due compliance with the environmental conditions of the lease in the sum of: $10,000	30/5/2007

HLB Mann Judd

Accountants | Business and Financial Advisers

11 March 2011

The Directors
Kimberley Rare Earths Ltd
c/- MGI Perth
Level 7, The Quadrant
1 William Street
PERTH WA 6001

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT

INTRODUCTION

This Investigating Accountant's Report ("Report") has been prepared for inclusion in a prospectus to be dated on or about 14 March 2011 ("Prospectus") for the issue by Kimberley Rare Earths Ltd ("KRE" or "Company") of up to 71,549,035 ordinary fully paid shares at an issue price of $0.20 each to raise up to $14,309,807 before the expenses of the issue ("Offer").

The minimum subscription under the Offer is $8,500,000. Oversubscriptions will be accepted through the issue of a further 19,635,234 shares to raise $3,927,047 to the extent necessary to satisfy Navigator Resources Ltd optionholders who wish to participate by exercising their options prior to the Priority Offer record date (as set out in Section 1.6 of the Prospectus).

This Report has been included in the Prospectus to assist potential investors and their financial advisers in making an assessment of the financial position of the Company.

STRUCTURE OF REPORT

This Report has been divided into the following sections:

1. Background information;
2. Scope of report;
3. Financial information;
4. Subsequent events;
5. Statements; and
6. Declaration.

HLB Mann Judd (WA Partnership) ABN 22 193 232 714
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Liability limited by a scheme approved under Professional Standards Legislation

HLB Mann Judd (WA Partnership) is a member of HLB International, a worldwide organisation of accounting firms and business advisers.

1. *BACKGROUND INFORMATION*

The Company was registered on 2 December 2010. The Company has entered into an agreement with Navigator Resources Limited ("Navigator") to be signed on or about 14 March 2011 ("Sale Agreement") for the acquisition of a 25% interest in the Cummins Range rare earths project ("Project"), which in accordance with the Sale Agreement, includes the following:

- A 25% undivided interest in the tenement, being Exploration Licence E80/2232 located in the East Kimberley region of Western Australia ("Tenement"); and
- Mining Information, comprising all geological, drill core, metallurgical, pre-feasibility study and project development data and analyses, maps, samples and technical reports prepared for or carried out by or for the vendor, being Navigator, and copyright in any of them, relating solely to the Tenement and in possession of Navigator as at completion of the sale and assignment contemplated in the Sale Agreement.

Consideration for the acquisition of the Project comprises the issue by KRE to Navigator of 34,399,998 fully paid shares in KRE and 3,000,000 KRE options. These options are exercisable at $0.25 on or before the date being three years from the completion of the sale and assignment contemplated in the Sale Agreement.

The Sale Agreement is conditional upon completion of certain matters as set out in Section 11.3 of the Prospectus.

Navigator will distribute the shares held in KRE to Navigator shareholders holding Navigator shares on the record date (as set out in Section 1.6 of the Prospectus) on the basis of one share for every 20 Navigator shares held ("In Specie Distribution"), subject to the approval of Navigator shareholders at a shareholders' meeting.

Under the Offer, the Company is seeking to do the following:

- *Priority Offer:*
  The Company is inviting Navigator shareholders who hold Navigator shares on the Priority Offer record date (as set out in Section 1.6 of the Prospectus) to apply under the Priority Offer for one KRE share for every ten Navigator shares held by them on that date. If any such shares are not applied for by 5.00pm on the Priority Offer Closing Date (as set out in Section 1.6 of the Prospectus), those shares will be available under the Public Offer discussed below.

- *Public Offer:*
  The Public Offer is open to public investors including Navigator shareholders. A minimum of 25,000,000 shares will be available under the Public Offer, subject to any increase resulting from any shortfall in the Priority Offer.

As at the date of this Report, the issued share capital of the Company is 2 ordinary fully paid shares, which were issued on the Company's date of registration.

The Company has no options on issue at the date of this Report.

The intended use of the funds raised by the issue of shares under the Prospectus is specified in Section 1.7 of the Prospectus.

2. *SCOPE OF REPORT*

You have requested HLB Mann Judd ("HLB") to prepare this Report for inclusion in the Prospectus covering the following information of the Company:

a) the historical financial information comprising the historical Statement of Financial Position as at 31 December 2010 as set out in Section 8 of the Prospectus; and

b) the proforma financial information comprising the proforma Statement of Financial Position as at 31 December 2010 as set out in Section 8 of the Prospectus.

The Directors have prepared and are responsible for the historical and proforma financial information, including the determination of the proforma adjustments. It is our responsibility to review the historical and proforma financial information as set out in Section 8 of the Prospectus. We disclaim any responsibility for any reliance on this Report or on the financial information to which it relates for any purposes other than that for which it was prepared. This Report should be read in conjunction with the full Prospectus.

We have performed a review of the historical and proforma financial information of the Company in order to ensure consistency in the application of applicable Accounting Standards and other mandatory professional reporting requirements and in order to state whether, on the basis of the procedures described, anything has come to our attention that would cause us to believe that the historical and proforma financial information as set out in Section 8 of the Prospectus is not fairly presented in accordance with the measurement and recognition requirements (but not all the disclosure requirements) of the Australian International Financial Reporting Standards.

Our review of the historical and proforma financial information of the Company was carried out in accordance with Australian Auditing Standard ASRE 2405 'Review of Historical Financial Information Other than a Financial Report' and included such enquiries and procedures which we considered necessary for the purposes of this Report. The review procedures undertaken by HLB in our role as Investigating Accountant were substantially less in scope than that of an audit examination conducted in accordance with generally accepted auditing standards. Our review was limited primarily to an examination of the historical financial information and the proforma financial information, analytical review procedures and discussions with senior management. A review of this nature provides less assurance than an audit and, accordingly, this Report does not express an audit opinion on the historical financial information and proforma financial information included in this Report or elsewhere in the Prospectus.

In relation to the information presented in this Report:

a) support by another person, corporation or an unrelated entity has not been assumed;

b) the amounts shown in respect of assets do not purport to be the amounts that would have been realised if the assets were sold at the date of this Report; and

c) the going concern basis of accounting has been adopted.

3. FINANCIAL INFORMATION

Set out in Section 8 of the Prospectus are:

a) The Statement of Financial Position of the Company as at 31 December 2010;

b) The proforma Statement of Financial Position of the Company as at 31 December 2010 as it would appear after incorporating the following significant events and proposed transactions by the Company subsequent to 31 December 2010:

   i) the issue by the Company pursuant to this Prospectus of 71,549,035 ordinary shares at a price of $0.20 per share to raise $14,309,807 before issue costs of $1,019,820;

   ii) the write off against issued capital of the estimated costs of the Prospectus of an estimated $1,019,820. As at 31 December 2010, $52,677 of these issue costs had been

incurred and were included in "Other assets" in the Statement of Financial Position at that date. These costs have been funded by Navigator as part of a loan facility between KRE and Navigator;

iii) the issue of 34,399,998 shares in KRE at an issue price of $0.20 per share and 3,000,000 KRE options (exercisable at $0.25 on or before the date being three years from the completion of the sale and assignment contemplated in the Sale Agreement) to Navigator as consideration for the acquisition of 25% of the Cummins Range Project;

iv) the issue of 3,000,000 KRE options (exercisable at $0.25 on or before 30 June 2014) to the sponsoring brokers to the Offer, BGF Equities Limited;

v) the incurring of other expenses of $58,906 to be funded by Navigator as part of the abovementioned loan facility, and the write off of this amount to the statement of comprehensive income; and

vi) the repayment of amounts owed to Navigator totalling $269,622 in accordance with the loan facility between KRE and Navigator.

c) Notes to the historical financial information and proforma financial information.

4. ***SUBSEQUENT EVENTS***

In our opinion, there have been no material items, transactions or events subsequent to 31 December 2010 not otherwise disclosed in the Prospectus that have come to our attention during the course of our review that would require comment in, or adjustment to, the content of this Report or which would cause such information included in this Report to be misleading.

5. ***STATEMENTS***

Based on our review, which was not an audit, we have not become aware of any matter that causes us to believe that:

a) the historical financial information of Kimberley Rare Earths Ltd as at 31 December 2010 as set out in Section 8 of the Prospectus, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia; and

b) the proforma financial information of the Company as at 31 December 2010 as set out in Section 8 of the Prospectus, does not present fairly the financial position of the Company as at that date in accordance with the measurement and recognition requirements (but not all of the disclosure requirements) of applicable Accounting Standards and other mandatory reporting requirements in Australia, as if the transactions referred to in Section 3 (b) of this Report had occurred as at that date.

6. ***DECLARATION***

a) HLB will be paid its usual professional fees based on time involvement, for the preparation of this Report and the review of the financial information at our normal professional rates.

b) Apart from the aforementioned fee, neither HLB, nor any of its associates will receive any other benefits, either directly or indirectly, for or in connection with the preparation of this Report.

c) Neither HLB, nor any of its employees or associated persons has any interest in Kimberley Rare Earths Ltd or the promotion of the Company.

d) HLB Mann Judd has consented to being appointed as auditors of the Company effective as of the date of the Company's registration, 2 December 2010 however as at the date of this Report, no audit services have been required to be provided to the Company.

e) Unless specifically referred to in this Report, or elsewhere in the Prospectus, HLB was not involved in the preparation of any other part of the Prospectus and did not cause the issue of any other part of the Prospectus. Accordingly, HLB makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the Prospectus.

f) HLB has consented to the inclusion of this Report in the Prospectus in the form and context in which it appears. The inclusion of this Report should not be taken as an endorsement of the Company or a recommendation by HLB of any participation in the Company by an intending subscriber.

Yours faithfully
HLB MANN JUDD

L DI GIALLONARDO
Partner

8 FINANCIAL INFORMATION

8.1 Introduction

This section provides an overview of the Statement of Financial Position of the Company as at 31 December 2010 and the Pro-forma Statement of Financial Position as at that date to show the effect on KRE's financial position of the proposed equity raising and certain other transactions expected to occur on or around the date of the Prospectus.

The Statement of Financial Position as at 31 December 2010 and the Pro-forma Statement of Financial Position as at that date have been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards and the significant accounting policies adopted by KRE as set out in Section 8.2.

KRE was incorporated on 2 December 2010.

8.2 Significant Accounting Policies

The following significant accounting policies have been adopted by the Company:

(a) Operating Cycle

The operating cycle of the entity coincides with the annual reporting cycle.

(b) Presentation Currency

The entity operates entirely within Australia and the presentation currency is Australian dollars.

(c) Revenue Recognition

Dividend and Interest Revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(d) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments, net of outstanding bank overdrafts.

(e) Receivables

Trade and other receivables are recorded at amounts due less any allowance for doubtful debts.

(f) Financial Assets

Investments are recognised and derecognised on trade date where purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

Other financial assets are classified, as required, into the following specified categories: 'financial assets at fair value through profit or loss', 'held-to-maturity investments', 'available-for-sale financial assets' and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

(g) Financial Instruments Issued by the Company

Debt and Equity Instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction Costs on the Issue of Equity Instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued.

(h) Income Tax

Current Tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred Tax

Deferred tax is provided on all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, branches, associates and joint ventures except where the entity is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them is realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognised as an expense or income in the Statement of Comprehensive Income, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(j) Payables

Trade payables and other accounts payable are recognised when the entity becomes obliged to make future payments resulting from the purchase of goods and services.

(k) Share-based Payments

Equity-settled share-based payments are measured at the fair value of the equity instrument at the grant date. The fair value at grant date is measured by use of the Black and Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the entity's estimate of shares that will eventually vest.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

(l) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within twelve months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within twelve months are measured at the present value of the estimated future cash outflows to be made by the entity in respect of services provided by employees up to reporting date.

(m) Property, Plant and Equipment

Plant and equipment are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a diminishing value basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Class of fixed asset	*Depreciation rate*
Office furniture and equipment	20%
Exploration equipment	20%

(n) Impairment of Assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time, value for money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development expenditure incurred may be accumulated in respect of each identifiable area of interest. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through successful development and exploitation or from sale of the area; or
- exploration and evaluation activities in the area have not, at balance date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations in, or relating to, the area are continuing.

Accumulated costs in respect of areas of interest which are abandoned are written off in full against profit or loss in the period in which the decision to abandon the area is made. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Notwithstanding the fact that a decision not to abandon an area of interest has been made, based on the above, the exploration and evaluation expenditure in relation to an area may still be written off if considered appropriate to do so.

(p) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

(q) Provision for Restoration and Rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(r) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a new business are not included in the cost of acquisition as part of the purchase consideration.

(s) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors of Kimberley Rare Earths Ltd.

(t) Earnings per Share

Basic Earnings per Share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted Earnings per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

8.3 Statements of Financial Position of Kimberley Rare Earths Ltd as at 31 December 2010

	Notes	31/12/2010	Pro-forma 31/12/2010
		$	$
Cash assets	1	2	13,510,893
Other assets	2	52,677	-
Total current assets		52,679	13,510,893
Non - current assets			
Exploration expenditure	3	-	7,159,810
Total non - current assets		-	7,159,810
Total assets		52,679	20,670,703
Current liabilities			
Borrowings	4	52,677	-
Total current liabilities		52,677	-
Total liabilities		52,677	-
Net assets		2	20,670,703
Equity			
Issued capital	5	2	20,169,989
Reserves	6	-	559,620
Accumulated losses		-	(58,906)
Total equity		2	20,670,703

8.4 Notes to Statements of Financial Position of Kimberley Rare Earths Ltd as at 31 December 2010

The Pro-forma Historical Statement of Financial Position as at 31 December 2010 has been prepared to show the financial effects on KRE as if the following transactions had taken place at 31 December 2010:

(a) the issue of 34,399,998 Shares at an issue price of $0.20 per Share and 3,000,000 Options (exercisable at $0.25 on or before the date being three years from the completion of the sale and assignment contemplated in the Sale Agreement) to Navigator as consideration for the acquisition of 25% of the Cummins Range Project;

(b) the issue by the Company pursuant to this Prospectus of 71,549,035 Shares at a price of $0.20 per Share to raise $14,309,807 before issue costs of $1,019,820. As at 31 December 2010, $52,677 of costs were included in "Other Assets" and remained unpaid as at that date. These costs have been funded by Navigator as part of a loan facility between KRE and Navigator;

(c) the issue of up to 3,000,000 Options (exercisable at $0.25 on or before 30 June 2014) to the Lead Manager to the Offer, BGF Equities Limited. Should the Company not achieve full subscriptions, the quantum of these Options will be reduced proportionately;

(d) the incurring of other expenses of $58,906 to be funded by Navigator as part of the abovementioned loan facility, and the write off of this amount to the Statement of Comprehensive Income; and

(e) the repayment of amounts owed to Navigator totalling $269,622 in accordance with the loan facility between KRE and Navigator.

Minimum and Maximum Subscriptions

As set out in Section 2.6 of the Prospectus, the minimum subscriptions to be raised pursuant to the Prospectus is $8,500,000 and the maximum subscriptions to be raised is $18,236,854.

The Pro-Forma Statement of Financial Position has been prepared based on the assumption that the full $14,309,807 of subscriptions will be achieved. If the minimum subscription is achieved, the cash and issued capital disclosed in the Pro-forma Statement of Financial Position would be reduced by $5,632,084 and $5,547,945 respectively. If the maximum subscription is achieved, the cash and issued capital disclosed in the Pro-forma Statement of Financial Position would both increase by $3,806,093.

			Pro-forma
		31/12/2010	31/12/2010
		$	$
1	**CASH**	2	13,510,893
	Reconciliation of movements in cash		
	Historical cash balance at 31 December 2010	2	
	Proceeds from issue of shares pursuant to the Prospectus	14,309,807	
	Repayment of loans from Navigator Resources Ltd	(269,622)	
	Payment of share issue expenses pursuant to the Prospectus	(529,294)	
	Proforma cash balance as at 31 December 2010	13,510,893	

		31/12/2010	Pro-forma 31/12/2010
		$	$
2	**OTHER ASSETS**	52,677	-
	IPO share issue expenses:		
	Balance at 31 December 2010	52,677	
	IPO share issue expenses transferred to equity	(52,677)	
		-	
3	**EXPLORATION EXPENDITURE**		
	Exploration expenditure, at cost	-	7,159,810
	Balance at 31 December 2010	-	
	Acquisition of interest in Cummins Range - shares	6,880,000	
	Acquisition of interest in Cummins Range –share options	279,810	
		7,159,810	

The ultimate recoupment of exploration costs carried forward in relation to mining tenements acquired and subsequent exploration and evaluation expenditure is dependent on the successful development and commercial exploitation or sale of the area of interest at an amount at least equal to the carrying value.

		31/12/2010	Pro-forma 31/12/2010
		$	$
4	**BORROWINGS**	52,677	-
	Unsecured loan repayable to Navigator Resources Ltd		
	Balance at 31 December 2010	52,677	
	Share issue costs and other expenses settled by Navigator	216,945	
	Repayment of costs settled by Navigator	(269,622)	
		-	
5	**ISSUED CAPITAL**		
	Ordinary shares	2	20,169,989

Reconciliation of movement in issued and paid up capital	No.	$
Incorporation shares at $1.00 each	2	2
Issue of vendor shares at $0.20 each	34,399,998	6,880,000
Issue of shares under the Priority and Public Offers at $0.20 each	71,549,035	14,309,807
Share issue expenses (i)	-	(1,019,820)
	105,949,035	20,169,989

(i) Share issue expenses are detailed in Section 11.10 of the Prospectus

6 **RESERVES**	-	559,620

Balance at 31 December 2010	-
Issue of options to Navigator Resources Ltd	279,810
Issue of options to BGF Equities Limited	279,810
	559,620

6 RESERVES (contd)

Options were valued using a Black and Scholes option model with the following inputs:

Exercise Price - $0.25

Share Price - $0.20

Term - 3 years

Volatility - 75%

Risk free rate - 5.16%

The terms and conditions of the options granted to Navigator Resources Limited and BGF Equities Limited are contained in Section 11.5 of the Prospectus.

7 RELATED PARTY TRANSACTIONS AND INTERESTS

a) Directors

The directors of the Company since the date of incorporation (2 December 2010) to the date of this report and the interests that these Directors hold, directly or indirectly, in the Company's shares and options as at date of this Prospectus are as follows:

	Shares	Options
	No.	No.
Ian Macpherson (i)	-	-
Allan Trench (i)	-	-
Gerry Kaczmarek (i)	-	-
Peter Rowe	-	-
	-	-

(i) Ian Macpherson and Allan Trench are non-executive directors of Navigator. Gerry Kaczmarek is the Chief Financial Officer and Company Secretary of Navigator. By virtue of also being shareholders of Navigator, Messrs Macpherson, Trench and Kaczmarek may be entitled to Shares as part of the Distribution post listing. Such an entitlement will depend on the number of Navigator Shares held by those parties on the record date for that Distribution. Details of shareholdings in Navigator held by Directors of KRE as at the date of this Prospectus are detailed in Section 11.6 of the Prospectus.

b) Transactions with Directors and Director Related Entities

KRE and Navigator (of which Ian Macpherson and Allan Trench are also directors) have entered into a loan agreement to enable KRE, to fund corporate costs and expenses incurred in connection with, or related to, the acquisition by KRE of certain mining interests prospective for rare earths from Navigator, and the listing of KRE on the Australian Securities Exchange. The loan is unsecured and interest is charged at the RBA cash rate plus 2%. The loan is repayable within five days of the listing of KRE's shares on the Australian Securities Exchange, or such other date as KRE and Navigator agree.

c) Directors' Remuneration

As at the date of the Prospectus, the Company has agreed to pay the following annual remuneration (inclusive of applicable statutory superannuation) to Directors as follows:

	$
Ian Macpherson	60,000
Allan Trench	40,000
Gerry Kaczmarek	40,000
Peter Rowe	40,000

The fees as disclosed above will only accrue from the date the Company achieves a listing on ASX. The Company has agreed to pay consultancy fees to Mr Rowe from the date of his appointment to the listing date of $3,333 per month. The fees payable to Mr Kaczmarek will be paid to Navigator Resources Limited and not directly to Mr Kaczmarek.

8 COMMITMENTS, CONTINGENT ASSETS AND LIABILITIES

The Directors are not aware of any commitments, contingent assets or liabilities as at the date of this Prospectus other than the minimum expenditure commitments contained in the Joint Venture Agreement with Navigator. The Agreement specifies that in order to earn an additional 30% equity, a total of $10 million must be spent within 4 years, with minimum requirements for the first and second years of $2 million and $3 million respectively.

Further details on the farm in agreement are contained in Section 11.3 of the Prospectus.

9 EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any circumstances or matters that have arisen since 31 December 2010 which have significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years, other than those set out in Section 8.4 with regard to Pro-forma transactions.

9 CORPORATE GOVERNANCE

The Company has in place corporate governance practices that are formally embodied in corporate governance policies and codes adopted by the Board ('the Policies'). The aim of the Policies are to ensure that the Company is effectively directed and managed, that risks are identified, monitored and assessed and that appropriate disclosures are made.

In preparing the Policies, the Directors considered the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" ('ASX Principles') which Companies are required to report against in their first financial year commencing on or after 1 January 2008.

The Directors incorporated the ASX Principles into the Policies to the extent that they were appropriate, taking into account the Company's size, the structure of the Board, its resources and its proposed activities.

The Board has adopted the following policies, statement, charters, policies and procedures:

- Board Charter
- Audit Committee Charter
- Remuneration Committee Charter
- Nomination Committee Charter
- Code of Conduct
- Trading in Company Securities
- Risk Management Policy
- Shareholder Communication Strategy
- Continuous Disclosure Policy

The Company's corporate governance policies will be available on the Company's website at WWW.KIMBERLEYRAREEARTHS.COM.AU.

The Board sets out below its 'If not, why not?' report in relation to matters of corporate governance in which the Company's practices depart from the ASX Principles.

ASX Principle 2

Recommendation 2.1 provides that the majority of directors should be independent. Three of the Company's four directors are officers of Navigator, the current owner of the Tenement and, subject to the Distribution, the holder of approximately 40% of the Company's share capital following the successful completion of the Offers.

Explanation for departure: The Company is in effect the spin-off of Navigator's Cummins Range Project, and to maintain continuity it was considered desirable to appoint Navigator's officers to effect the spin-off and initial public offer of the Company.

Recommendation 2.2 provides that the chair should be an independent director. The Company's chair, Mr Ian Macpherson, is the deputy chair and non-executive director of Navigator.

Explanation for departure: To maintain continuity, it was considered desirable to appoint Mr Macpherson to effect the spin-off and initial public offer of the Company

Recommendation 2.4 recommends that a Company establish a nomination committee. The Company does not currently have a separately established nomination committee although a Nomination Committee Charter has been adopted by the Board.

Explanation for departure: Given the current size of the Board, the Board considers that the objectives set out in the Nomination Committee Charter can be efficiently achieved by the full

Board operating within the guidelines set out in the Board Charter.

ASX Principle 4

Recommendations 4.1 and 4.2 recommend that the Board should establish an audit committee that has at least three members, consists only of non-executive directors and a majority of independent Directors and is chaired by an independent chair who is not chair of the Board.

The Company does not conform to these recommendations although an Audit Committee Charter has been adopted by the Board.

Explanation for departure: Given that the Board comprises four Directors, it has been decided that there are no efficiencies to be gained from forming a separate audit committee. The current Board, (which does not consist only of non-executive Directors) carry out the roles that would otherwise be undertaken by a separate audit committee in accordance with the Audit Committee Charter.

ASX Principle 8

Recommendation 8.1 recommends that a Company establish a remuneration committee. The Company does not currently have a separately established remuneration committee, although a Remuneration Committee Charter has been adopted by the Board.

Explanation for Departure: Given the current size of the Board, the Board considers that the objectives set out in the Remuneration Committee Charter can be efficiently achieved by the full Board operating within the guidelines set out in the Board Charter.

In relation to the above, the Directors believe that, notwithstanding the Company's departures from the ASX Principles, the Board has implemented suitable practices and procedures with respect to corporate governance, considering the size of the Board and the size and maturity of the Company. The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company.

10 RISK FACTORS

The Shares offered under this Prospectus should be considered speculative because of the nature of the business activities of the Company. Whilst the Directors commend the Offer, potential investors should consider whether the Shares offered are a suitable investment having regard to their own personal investment objectives and financial circumstances and the risk factors set out below. This list is not exhaustive and potential investors should read this Prospectus in its entirety and if in any doubt consult their professional adviser before deciding whether to participate in the Offer.

10.1 Risks Specific to the Company and the Project

The Company's Project represents the main business activity and focus of the Company. Risks specific to this Project and the Company's circumstances include the following:

Non-renewal of title

Under Western Australian law, exploration tenements granted prior to 10 February 2006 have a term of five years, and the Minister for Mines and Petroleum may extend the term for two further periods of one or two years and thereafter further periods of one year. The Tenement was granted on 4 May 2001 and expires on 3 May 2011.

Navigator (as the tenement holder) has applied for an extension of one year and has no reason to believe that the tenement will not be extended for that period on its current terms.

If the Tenement is not extended, KRE may suffer significant damage through loss of the opportunity to discover and/or develop any mineral resources on the Tenement.

Management

The Company's management presently consists of four non-executive Directors and a Company Secretary. The Directors have retained an executive search consultant and are confident of appointing a managing director shortly. In the meantime, the Company has appointed a reputable consultant to manage its exploration programme.

Limited exploration

The Cummins Range Project has been subjected to only limited drill testing. Whilst rare earth mineralisation has been located in multiple drill intersections, there is a risk that the mineralisation in adjacent drill holes is not continuous between drill holes. There is also a risk that the presently completed drill holes may not be representative of the rare earth metals present at Cummins Range. Further drill tests are required to determine if rare earth oxide mineralisation extends further beyond the geometry of the currently defined drill pattern at Cummins Range.

There is no guarantee that if exploration extends the current resource that it will be capable of sustaining commercial development.

Resource estimate

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly when new information becomes available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mining plans may have to be altered in a way which could have either a positive or negative effect on the Company's operations.

Exploration and Operating Risks

The current and future operations of the Company, including exploration, appraisal and possible production activities may be affected by a range of exploration and operating factors, including:

- geological conditions;
- limitations on activities due to seasonal weather patterns and cyclone activity;
- alterations to joint venture programmes and budgets;
- unanticipated operational and technical difficulties encountered in geophysical surveys, drilling, metallurgical laboratory work and production activities;
- mechanical failure of operating plant and equipment; adverse weather conditions, industrial and environmental accidents, acts of terrorism or political or civil unrest and other force majeure events;
- industrial action, disputation or disruptions;
- unavailability of aircraft or drilling equipment to allow access and geological and geophysical investigations;
- failure of metallurgical testing to determine a commercially viable product;
- unavailability of suitable laboratory facilities to complete metallurgical testwork investigations;
- shortages or unavailability of manpower or appropriately skilled manpower;
- unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; and
- prevention or restriction of access by reason of inability to obtain consents or approvals.

Commodity Prices

The Company expects to derive its revenue from the sale of commodity products, specifically either bulk concentrates containing rare earth metal oxides, or from the sale of either intermediate or fully-separated rare earth metal oxides. Consequently, any earnings will be closely related to the price of these commodities together with the terms of any off-take agreement(s) under which the Company's products may be sold.

Commodity prices fluctuate and are affected by numerous factors beyond the control of the Company. These factors include worldwide and regional supply and demand for the specific commodity, prevailing commodity trading terms, general world economic conditions and the outlook for interest rates, inflation and other economic factors on both a regional and global basis. These factors may have a positive or negative effect on the Company's exploration, project development and production plans and activities, together with the ability to fund those plans and activities. Furthermore, rare earth products are not traded upon terminal, liquid, commodity exchanges. There is a risk therefore that the Company may not be able to secure an attractive price for its commodity products.

Environment

The Cummins Range Project contains some radioactive materials. As such, the Company is required to operate under an approved Radiation Management Plan. There is a risk that the Company's activities may face restrictions on its activities under that Plan.

The Project is also subject to Western Australian, and Federal laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining

projects, the Project would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by applicable laws and regulations.

Mining Tax and Royalties

In April 2010 the Commonwealth Government announced a resource super profits tax, which was applicable to all minerals. Whilst the tax was subsequently withdrawn, there is a risk that the Commonwealth or Western Australian Governments may seek to introduce further, or increase existing, taxes and royalties.

Encumbrances on Title

RMB Resources Limited currently holds a fixed and floating charge over the Tenement. Transfer of a 25% interest in the Tenement and KRE's earn-in rights under the Joint Venture Agreement are conditional upon RMB Resources Limited providing its consent and releasing its charge over KRE's interest in the Tenement.

RMB Resources Limited will retain the charge over Navigator's interest in the Tenement (45% once KRE's minimum funding obligations have been met). There is a risk that, in the event Navigator defaults on the terms of its funding arrangements with RMB, RMB may enforce its charge. As a result, the Company may have to proceed with the Joint Venture with a partner other than Navigator, and whose business priorities may differ to those of Navigator.

Funding

At the date of this Prospectus, the Company has no income producing assets and will generate losses for the foreseeable future. Until it is able to develop a project and generate appropriate cashflow, it is dependent upon being able to obtain future equity or debt funding to support long term exploration, after the expenditure of the net proceeds raised under the Offer. Neither the Company nor any of the Directors or any other party can provide any guarantee or assurance that if further funding is required, such funding can be raised on terms acceptable to the Company.

Any additional equity funding will dilute existing Shareholders. Also, no guarantee or assurance can be given as to when a project can be developed to the stage where it will generate cashflow. As such, a project would be dependent on many factors, for example exploration success, subsequent mine development, commissioning and operational performance.

The Company may not be able to earn or maintain proposed equity interests in the Tenement if it fails to meet the ongoing expenditure and joint venture commitments. Accordingly, the Company may potentially lose entitlement or rights to interests in the Project.

Unforeseen Risks

There may be other risks which the Directors are unaware of at the time of issuing this Prospectus which may impact on the Company and its operations, and on the valuation and performance of the Company's Shares.

10.2 General Economic Risks and Business Climate

Share market conditions, may affect the listed securities regardless of operating performance. Share market conditions are affected by many factors such as:

- general economic outlook;
- movements in or outlook on interest rates and inflation rates;
- currency fluctuations;
- commodity prices;

- changes in investor sentiment towards particular market sectors; and
- the demand and supply for capital.

Commodity prices are influenced by physical and investment demand for those commodities. Fluctuations in commodity prices may influence individual projects in which the Company may have an interest.

10.3 Exploration, Development, Mining and Processing Risks

The business of mineral exploration, project development and mining by its nature contains elements of significant risk. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable ore reserves;
- successful conclusions to bankable feasibility studies;
- access to adequate capital for project development;
- design and construction of efficient mining and processing facilities within capital expenditure budgets;
- securing and maintaining title to tenements and compliance with the terms of those tenements;
- obtaining consents and approvals necessary for the conduct of exploration and mining; and
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Adverse weather conditions over a prolonged period can adversely affect exploration and mining operations and the timing of revenues.

Whether or not income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development and mining operations.

Mining is an industry which has become subject to increasing legislative regulation including but not limited to environmental responsibility and liability. The potential for liability is an ever present risk. The use and disposal of chemicals in the mining industry is under constant legislative scrutiny and regulation. The introduction of new laws and regulations or changes to underlying policy may adversely impact on the operations of the Company.

10.4 Native Title

The *Native Title Act 1993 (Cth)* recognises and protects the rights and interests in Australia of Aboriginal and Torres Strait Islander people in land and waters, according to their traditional laws and customs. There is significant uncertainty associated with native title in Australia and this may impact on the Company's operations and future plans.

Native title can be extinguished by valid grants of land or waters to people other than the native title holders or by valid use of land or waters. It can also be extinguished if the indigenous group has lost their connection with the relevant land or waters. Native title is not extinguished by the grant of mining leases, as they are not considered to be grants of exclusive possession. A valid mining lease prevails over native title to the extent of any inconsistency for the duration of the title.

For tenements to be validly granted (or renewed) after 23 December 1996 the special "right to negotiate" regime established by the Native Title Act must be followed.

It is important to note that the existence of a native title claim is not an indication that native title in fact exists to the land covered by the claim, as this is a matter ultimately determined by the Federal Court.

The Company must also comply with Aboriginal heritage legislation requirements which require heritage survey work to be undertaken ahead of the commencement of mining operations.

A detailed discussion of native title and the claims is contained in the Independent Solicitor's Report in Section 6 of this Prospectus.

11 ADDITIONAL INFORMATION

11.1 Incorporation

The Company was incorporated on 2 December 2010 as a limited company.

11.2 Rights Attaching To Shares

(a) General

The Shares to be issued pursuant to this Prospectus are ordinary shares and will as from their allotment rank equally in all respects with all ordinary fully paid shares in the Company.

The rights attaching to the Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection during business hours at its registered office.

A summary of the more significant rights is set out below. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's shareholders. To obtain such a statement, persons should seek independent legal advice.

(b) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder and for each partly paid share held, a fraction of one vote equal to the proportion which the amount paid up bears to the amounts paid or payable on that share. In the case of an equality of votes, the chairperson has a casting vote.

(c) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only in accordance with the Corporations Act. The Directors may determine the method and time for payment of the dividend.

(d) Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the shareholders of the Company in proportion which the amount paid on the shares bears to the total amount paid and payable on the shares of all shareholders of the Company.

(e) Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASX Settlement Operating Rules, the ASX Clear Operating Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules, the ASX Clear Operating Rules or under the Company's Constitution.

(f) Directors

The Constitution and the ASX Listing Rules contain provisions relating to the rotation and election of Directors.

(g) Calls on Shares

Subject to the Corporations Act and the terms of issue of a share, the Company may, at any time, make calls on the shareholders of a share for all, or any part of, the amount unpaid on the share. If a shareholder fails to pay a call or instalment of a call, the Company may, subject to the Corporations Act and ASX Listing Rules, commence legal action for all, or part of the amount due, enforce a lien on the share in respect of which the call was made or forfeit the share in respect of which the call was made.

(h) Further Increases in Capital

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.

(i) Variation of Rights Attaching to Shares

Subject to the Corporations Act, the ASX Listing Rules, the ASX Settlement Operating Rules and the ASX Clear Operating Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(j) General Meeting

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

11.3 Material Contracts

(a) Sale Agreement

The Company and Navigator are parties to the Sale Agreement under which the Company will acquire a 25% interest in the Cummins Range Project (**Sale Interest**) from Navigator. The material terms of the agreement are as follows:

(**Consideration**) The Company will issue 34,399,998 Shares and 3,000,000 Options to Navigator.

(**Conditions Precedent**) Completion of the sale and purchase of the Sale Interest is conditional upon:

(i) written consent being obtained by Navigator from RMB Resources Limited to the transactions contemplated in the Sale Agreement and the Joint Venture Agreement;

(ii) ASX granting all necessary waivers for the Distribution (which it has done);

(iii) the Company raising at least $8.5 million under the Offers; and

(iv) the Company being admitted to the Official List of the ASX.

(**Warranties**) Navigator gives the following warranties:

(i) The Sale Interest is held by Navigator legally and beneficially free from

encumbrances or third party rights save as disclosed in writing by Navigator to the Company prior to the date of the Sale Agreement.

(ii) The Tenement is in good standing and is not liable to forfeiture and there is no matter which is likely to prejudice the renewal of the Tenement.

(iii) Navigator is not (having made reasonable enquiries) aware of any actual or threatened litigation, or any circumstances which may give rise to any such claim, concerning the Tenement, save as disclosed in writing by Navigator to the Company prior to the date of the Sale Agreement.

(b) Cummins Range Joint Venture Agreement

The Company and Navigator are parties to the Cummins Range Joint Venture Agreement (**Joint Venture Agreement**), the material terms of which are as follows:

(**Joint Venture**) With effect from completion of the Sale Agreement, the parties will form the Cummins Range Joint Venture (**Cummins Range JV**) for the purpose of undertaking exploration on the Tenement. The initial participating interests are Navigator 75% and KRE 25%. The rights and obligations of the parties are several in portion to their interest and neither party may create an interest in the joint venture property which is contrary to the terms of the JV Agreement.

(**Sole fund**) KRE may increase its participating interest by 30% (to 55%) by sole funding $10 million of exploration in the 4 year period from the commencement of the Cummins Range JV, including minimum expenditure obligations of $2 million and $3 million in the first and second years of the Cummins Range JV. In the event KRE fails to meet the first two years minimum expenditure requirement, it may elect to either re-transfer its initial 25% interest to Navigator at a nominal cost or pay Navigator the shortfall expenditure.

KRE may increase its participating interest by a further 25% (to 80%) by sole funding the costs of delivering a feasibility study (in bankable form) to Navigator.

During the sole funding periods, KRE has the exclusive right to manage and carry out exploration on the Tenement and the obligation to do all things necessary to keep the Tenement in good standing.

(**Management and management committee**) Following the end of the final sole funding period, a management committee will be formed. Each participant's voting power is equal to their participating interest.

Subject to the control and direction of the management committee, all joint venture activities must be carried out by KRE (or its successor as appointed by the management committee) on behalf of the participants in portion to their respective participating interests. The Joint Venture Agreement contains terms customarily found in a joint venture agreement for the management, operation and reporting on the activities of the joint venture.

(**Programme and budget**) Each programme and budget must be approved by the management committee. Cash calls are made quarterly in advance.

(**Environmental rehabilitation**) The participants must provide and maintain security bonds in proportion to their participating interest. Withdrawing participants remain liable for their share of rehabilitation or shutdown costs incurred whilst they were a joint venture participant.

(**Decision to mine**) A decision to mine is to be made by a majority decision of the management committee. A participant electing not to participate is deemed to have transferred their interest in the mining area in return for a 2% royalty on the gross revenue from the sale of materials produced from the Tenement (**Royalty**).

A participant cannot withdraw following a decision to mine.

(**Dilution below 10%**) A participant having their interest diluted to below 10% will have that interest converted to the Royalty.

(**Disposal of participating interest**) The Joint Venture Agreement contains the usual pre-emptive rights. KRE has acknowledged the security interest of RMB Resources Limited over Navigator's interest in the Tenement.

The Joint Venture Agreement otherwise contains terms which are standard for a transaction of this nature.

(c) Director & Officer Protection Deeds

The Company has entered into Director and Officer Protection Deeds (**Deed**) with each Director and the Company Secretary (**Officers**). Under the Deed, the Company indemnifies the relevant Officer to the maximum extent permitted by law against legal proceedings, damage, loss, liability, cost, charge, exchange, outgoing or payment suffered, paid or incurred by the officer in connection with the Officer being an officer of the Company, the employment of the Officer with the Company or a breach by the Company of its obligations under the Deed.

Subject to the Company listing on ASX, the Company is required to insure the Officers against liability arising from any claim against the Officers in their capacity as officers of the Company. The Company will pay insurance premiums in respect of the above insurance.

(d) Loan agreement with Navigator

The Company and Navigator have entered into a loan agreement to enable KRE to fund the corporate costs and expenses incurred in connection with, or related to, the acquisition by KRE of Cummins Range Project, and the listing of KRE on ASX, up to a maximum of $300,000. The loan is unsecured and interest is charged at the RBA cash rate plus 2%. The loan is repayable within five days of the listing of KRE's Shares on ASX, or such other date as KRE and Navigator agree.

(e) Lead Manager Agreement

The Company has entered into an agreement (**Lead Manager Agreement**) with BGF Equities Limited as lead manager of the Offer.

Under the terms of the appointment, BGF will be paid management fees totaling 3% on funds raised from Navigator Shareholders and 5% on any shortfall placed under the Priority Offer or raised under the Public Offer. BGF will also be entitled to a lead manager's fee of up to 3 million Options exercisable at $0.25 each on or before 30 June 2014. BGF is entitled to be reimbursed out of pocket expenses.

11.4 Employee Equity Incentive Plan

The Company intends to adopt an equity incentive plan post listing and subject to shareholder approval.

The Company also intends to reserve a pool of 3 million securities to be distributed to the senior executive team, once appointed, and the independent non-executive director. Any issue to Directors will be subject to shareholder approval at a general meeting of the Company.

11.5 Options

Under this Prospectus, and in accordance with the Sale Agreement and Lead Manager Agreement, the Company offers 3 million Options to Navigator and up to 3 million Options to BGF Equities Limited respectively. The Options have an exercise price of $0.25 and an expiry date of (in the case of Options to be issued to Navigator) three years from completion of the transfer of the 25%

interest in Tenement or (in the case of Options to be issued to BGF Equities Limited) 30 June 2014, and are otherwise on the following terms:

(a) Not transferable

The Options are not transferable and no application to ASX for official quotation of the Options will be made by the Company.

(b) Entitlement

The Options entitle the holder to subscribe for one fully paid ordinary share in the capital in the Company (**Share**) upon exercise of each Option.

(c) Notice of exercise

The Options may be exercised by notice in writing to the Company. Any notice of exercise of an Option received by the Company will be deemed to be a notice of the exercise of that Option as at date of receipt.

(d) Lodgment Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "not negotiable". The application for Shares on exercise of the Options with the appropriate remittance should be lodged at the Company's share registry.

(e) Timing of issue of Shares

After an Option is validly exercised, the Company must, within, 20 Business Days of the notice of exercise and receipt of cleared funds equal to the sum payable on the exercise of the Option issue and allot the Share and do all things necessary to obtain the grant of official quotation of the shares on ASX no later than five business days after issuing the Shares.

(f) Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then Shares of the Company.

(g) Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to holders of shares (**Shareholders**) during the currency of the Options.

However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 10 business days after the issue is announced. This will give holders of Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(h) Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction, of dividends or by way of dividend reinvestments):

(i) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Option holder would have received if the Option holder had exercised the Option before the record date for the bonus issue; and

(ii) no change will be made to the Exercise Price.

(i) Adjustment for rights issue

If the Company makes an issue of shares pro rata to existing Shareholders (other than an issue in lieu of in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = O - \frac{E\,[\,P - (S + D)\,]}{N+1}$$

O = the old exercise price of the Option.

E = the number of underlying shares into which one Option is exercisable.

P = average market price per share weighted by reference to volume of the underlying shares during the 5 trading days ending on the day before the ex rights date or ex entitlements dates.

S = the subscription price of a share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying shares (except those to be issued under the pro rata issue).

N = the number of shares with rights or entitlements that must be held to receive a right to one new Share.

(j) Adjustment for re-organisation

If there is any reconstruction of the issued share capital of the Company, the rights of Option holders will be varied to comply the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

Navigator and BGF Equities Limited may accept their respective offers by completing the personalised application form that accompanies this Prospectus

11.6 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director holds, or has held at any time during the 2 years before lodgement of this Prospectus with the ASIC, any interest in;

(a) the formation or promotion of the Company;

(b) property acquired or to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer; and

no amounts, whether cash or shares or otherwise, have been paid or agreed to be paid, and no benefits have been given or agreed to be given:

(d) to any Director, either to induce them to become, or to qualify as, a Director of the Company; and

(e) for services provided by a Director in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

Remuneration of Directors

In accordance with the Constitution, the Directors of the Company as at the date of this Prospectus have determined the maximum non-executive Director remuneration to be $300,000

per annum. This limit will be subject to ratification by shareholders at the first annual general meeting of the Company.

The Directors have resolved that each non-executive director is entitled to receive fees of $40,000 per annum (including superannuation) and the Chairman of Directors is entitled to receive $60,000 per annum (including superannuation). Payments of Director's fees will be in addition to any payments to directors in any employment capacity.

A Director may also be paid fees or other amounts as the Directors determine if a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. A Director may also be reimbursed for out of pocket expenses incurred as a result of their directorship or any special duties.

Directors' Holdings

Under the Constitution, the Directors are not required to hold any Shares in the Company. No Director holds Shares at the date of this Prospectus. However, some Directors are shareholders in Navigator and will be entitled, subject to holding those shares on the Priority Offer Record Date and Distribution Record Date respectively, to:

- participate in the Priority Offer; and
- be distributed Shares under the Distribution.

As at the date of this Prospectus, the Directors have interests in the following Navigator Shares which give those Directors a right to participate in the Priority Offer and to receive Shares under the Distribution:

Director	Navigator Shares held at date of Prospectus	Entitlement to Shares under Priority Offer	Entitlement to Shares under the Distribution	Total potential holding in KRE post Distribution
Ian Macpherson	**2,070,444**	207,044	103,522	**310,566**
Allan Trench	**2,542,610**	254,261	127,130	**381,391**
Gerry Kaczmarek	**230,000**	23,000	11,500	**34,500**
Peter Rowe	**-**	-	-	**-**

Messrs Macpherson, Trench and Kaczmarek also hold Navigator options at various exercise prices. Should these options be exercised by those Directors, this will increase their entitlement under the Distribution and therefore the extent to which they may participate in the Priority Offer.

The above table assumes that each Director does not increase or decrease their holding in Navigator prior to the Priority Offer Record Date or Distribution Record Date (including through the exercise of options), and that each Director takes up their full entitlement to KRE Shares under the Priority Offer. As at the date of this Prospectus, each Director has indicated that they will take up their full entitlement under the Priority Offer.

11.7 Interests of Navigator Directors

For the purposes of this section, Navigator Directors excludes Messrs Macpherson and Trench.

Other than as set out below or elsewhere in this Prospectus, no Navigator Director holds, or has held at any time during the two years before lodgement of this Prospectus with the ASIC, any interest in;

(a) the formation or promotion of the Company;

(b) property acquired or to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer; and

no amounts, whether cash or shares or otherwise, have been paid or agreed to be paid, and no benefits have been given or agreed to be given:

(d) to any Navigator Director, either to induce them to become, or to qualify as, a director of the Company; and

(e) for services provided by a Navigator Director in connection with:

(iii) the formation or promotion of the Company; or

(iv) the Offer.

Navigator Directors' Holdings in the Company

No Navigator Director holds Shares in the Company at the date of this Prospectus.

As at the date of this Prospectus, the Navigator Directors have interests in the following Navigator Shares which gives them a right to participate in the Priority Offer and to receive Shares under the Distribution:

Navigator Director	Navigator Shares held at date of Prospectus	Expected entitlement to Shares under Priority Offer	Expected entitlement to Shares under the Distribution	Total potential holding in KRE post Distribution
David Hatch	**1,465,000**	146,500	73,250	**219,750**
John Shipp	**1,124,574**	112,458	56,229	**168,687**
Matt Healy	**200,000**	20,000	10,000	**30,000**

Messrs Hatch, Shipp and Healy also hold Navigator options at various exercise prices. Should these options be exercised by those Navigator Directors prior to the relevant record date, this will increase their entitlement under the Priority Offer and Distribution.

The above table assumes that each Navigator Director does not increase or decrease their holding in Navigator prior to the Priority Offer Record Date or Distribution Record Date (including through the exercise of options), and that each Navigator Director takes up their full entitlement to Shares under the Priority Offer.

11.8 Consents

Each of the parties referred to in this section:

(a) does not make, or purport to make any statement in this Prospectus other than those referred to in this section; and

(b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

For the purposes of the Offers made by KRE, Navigator has given and has not, before lodgement of this Prospectus, withdrawn its consent to the inclusion of the statements attributed to it in the Prospectus in the form and context in which they appear.

For the purposes of the Offer made by Navigator, KRE has given and has not, before lodgement of this Prospectus, withdrawn its consent to the inclusion of the statements attributed to it in the Prospectus in the form and context in which they appear.

SRK Consulting has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent geologist in the form and context in which it is named and to the inclusion of the Independent Geological Report included in Section 5 of the Prospectus in the form and context in which it is included.

Fairweather Corporate Lawyers has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the solicitor to the Offers and independent solicitor reporting on tenements in the form and context in which it is named and to the inclusion of the Independent Solicitor's Report included in Section 6 of the Prospectus in the form and context in which it is included.

HLB Mann Judd has given and has not, before lodgement of this Prospectus, withdrawn its consent to being named as the independent accountant and auditor of the Company in the form and context in which it is named and to the inclusion of the Independent Accountant's Report included in Section 7 of the Prospectus in the form and context in which it is included.

BGF Equities Limited has given and has not, before lodgement of this Prospectus, withdrawn its consent to be named as Lead Manager to the Offer.

Hellman and Schofield Pty Ltd and Dr Phillip Hellman have given and have not, before lodgement of this Prospectus, withdrawn their consent to the inclusion of the statements attributed to them in the Prospectus in the form and context in which they appear.

Advance Share Registry Services has not been involved in the preparation of this Prospectus and references to it appear for information purposes only.

11.9 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus:

(a) no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus, any promoter of the Company [or broker to the Issue], holds, or held at any time during the two years before lodgment of this Prospectus with the ASIC, any interest in:

  (i) the formation or promotion of the Company;

  (ii) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or in connection with the Offer; or

  (iii) the Offer; and

(b) no amounts have been paid or agreed to be paid, and no benefits have been given or agreed to be given, to any of those persons in connection with the formation or promotion of the Company or the Offer.

Fairweather Corporate Lawyers has acted as solicitor to the Offer and provided advice and assistance in relation to certain aspects of this Prospectus, the Company's due diligence regime and enquiries and in relation to its application and admission to ASX. Fairweather Corporate Lawyers has also acted as the independent solicitor reporting on tenements and prepared the Independent Solicitor's Report included in Section 6 of this Prospectus. In respect of these services, Fairweather Corporate Lawyers will be paid approximately $15,000 (plus GST).

SRK Consulting has acted as the independent geologist and has prepared the Independent Geological Report included in Section 5 of this Prospectus. SRK Consulting will be paid $49,000 (plus GST) in respect of these services.

HLB Mann Judd has acted as the independent account to the Offer and prepared the Independent Accountant's Report included in Section 8 of this Prospectus. HLB Mann Judd will be paid $8,000 (plus GST) in respect of these services. HLB Mann Judd has also agreed to act as auditor to the Company and will be receive fees for rendering these services in accordance with its normal time based charges.

11.10 Litigation

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Prospectus, litigation searches confirm that the Company is not involved in any legal proceedings, nor so far as the Directors are aware, are any legal proceedings pending or threatened against the Company the outcome of which will have a material adverse effect on the business or financial position of the Company.

11.11 Expenses of the Offer

The total cash expenses connected with the Offer are estimated to be approximately $740,000 (excluding GST and assuming full subscription), detailed as follows:

Item of expenditure	Minimum Subscription ($8.5million)	Target Subscription ($14.3 million)	Maximum Subscription ($18.2 million)
ASIC fees	2,068	2,068	2,068
ASX fees	49,139	52,568	55,710
Lead manager fees[1]	355,000	529,294	647,106
Advisors fees	126,080	126,080	126,080
Printing, design and miscellaneous	30,000	30,000	30,000
Total	562,287	740,010	860,964

1 See section 1.1(a)(e) for details. BGF Equities Limited will also be issued up to 3 million Options which have been valued at $0.09324 per Option. See Section 11.5 for terms of the Options.

These expenses will be borne by the Company.

11.12 Restricted Securities

ASX may classify certain existing Shares on issue in the Company (as opposed to those to be issued under this Prospectus) as being subject to the restricted securities provisions of the ASX Listing Rules. If so classified, such Shares would be required to be held in escrow for a period determined by ASX and would not be able to be sold, mortgaged, pledged, assigned or transferred for that period without the prior approval of ASX.

It is anticipated that all Shares, other than those issued to Navigator and its Directors and their related parties under the Distribution will be free of escrow.

11.13 Tax Consideration

Investors should seek and rely on their own professional taxation advice in relation to an investment in the Company.

11.14 Distribution of Prospectus

The Prospectus has been prepared by the Company and Navigator. In preparing the Prospectus, the Company and Navigator have taken reasonable steps to ensure that the information in the Prospectus is not false or misleading. In doing so, the Company and Navigator have had regard to the prospectus requirements of the Corporations Act.

Prospective investors should read the full text of the Prospectus as the information contained in individual sections is not intended to and does not provide a comprehensive review of the business and financial affairs of the Company nor the securities offered pursuant to the Prospectus.

No person is authorised to give any information in relation to or to make any representation in connection with the Offer described in the Prospectus that is not contained in the Prospectus. Any such information or representation may not be relied upon as having been authorised by the Company in connection with the Offer.

The Prospectus provides information to assist investors in deciding whether they wish to invest in the Company and should be read in its entirety. If you have any questions about its contents or investing in the Company you should contact your stockbroker, accountant or other financial adviser.

11.15 Electronic Prospectus

Pursuant to ASIC Class Order 00/44, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus on the basis that a paper prospectus lodged with ASIC and the issue of Shares in response to an electronic application form, subject to compliance with certain provisions.

If you have received this Prospectus as an electronic prospectus please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company Secretary, Darren Crawte on 08 9463 2463 and the Company will send to you a hard copy or a further electronic copy of the Prospectus for free.

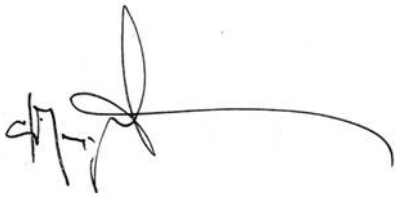
The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with an electronic Prospectus and any relevant supplementary or replacement prospectus or any of the those documents were incomplete or altered. In such a case, the application monies will be dealt with in accordance with section 722 of the Corporations Act.

12 DIRECTORS' STATEMENTS

This Prospectus is used by the Company and its issue has been authorised by a resolution of KRE's Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 14 March 2011



_____

Ian Macpherson
Chairman

For and on behalf of
Kimberley Rare Earths Limited

This Prospectus is used by Navigator and its issue has been authorised by a resolution of Navigator's Directors.

In accordance with Section 720 of the Corporations Act, each Navigator Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

Dated: 14 March 2011

_____

David Hatch
Managing Director

For and on behalf of
Navigator Resources Limited

GLOSSARY

The following defined terms apply throughout this Prospectus unless the context requires otherwise:

$ means Australian dollars unless otherwise specified;

Aircore drilling means a shallow drilling technique used in reconnaissance drill testing of mineral targets;

Applicant means a person who completes and lodges an Application Form;

Application means an application for Shares pursuant to this Prospectus;

Application Form means the application form attached to this Prospectus;

ASIC means the Australian Securities & Investments Commission;

ASX means ASX Limited (ACN 008 624 691);

ASX Clear Operating Rules means the ASC Clear Operating rules of ASX Clear Pty Limited ACN 001 314 503 (formerly known as ACH Clearing Rules);

ASX Listing Rules means the Listing Rules of ASX as amended from time to time;

ASX Settlement Operating Rules means the ASX Settlement Operating Rules of ASX Settlement Pty Ltd (formerly known as the ASTC Settlement Rules);

Auger drilling means a rotary drilling method whereby the sample is delivered to surface via an auger screw on the outside of a drill rod;

Baddeleyite means a rock-forming zirconium oxide mineral found in carbonatite rocks;

Beneficiate means a general term indicating a mechanism for concentrating the minerals within rocks;

Biotite means a mineral, a commonly-occurring sheet silicate rock-forming mineral of the mica group that is sometimes associated with alteration zones around mineral deposits;

Carbonatite means an igneous rock where classification is determined by composition. Carbonatites comprise more than 50 per cent carbonate minerals;

Chalcopyrite means a mineral, the main sulphide ore of copper;

Company or **KRE** means Kimberley Rare Earth Limited (ABN 20 147 678 779);

Composite sampling means the widespread industry practice of sampling multiple metres of a drillhole, usually four metres, and submitting the collective sample as one for chemical laboratory analysis. Those composite intervals returning elevated values are then typically resampled and resubmitted for chemical assay at one metre intervals;

Constitution means the constitution of the Company;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Cummins Range Project, or Project means the Cummins Range rare earths project in the East Kimberley, Western Australia and which comprises the Tenement;

Diatreme means a volcanic pipe-like feature, containing fragmented rocks emplaced during a high-pressure, gaseous volcanic eruption;

Directors or **Board** means the directors of the Company as at the date of this Prospectus;

Distribution has the meaning given in Section 1.5;

Distribution Record Date has the meaning given in the Timetable;

Eligible Navigator Distribution Shareholders means a Navigator Shareholder on the Distribution Record Date;

Eligible Navigator Distribution Shareholders means a Navigator Shareholder on the Distribution Record Date with a registered address in Australia;

Eligible Navigator Shareholder means a Navigator Shareholder on the Priority Offer Record Date with a registered address in Australia;

Exposure Period means the period of 7 days after the date of lodgment of this Prospectus with the ASIC, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act;

FCC means fluid catalytic cracking;

FVD means an acronym for First Vertical Derivative; means a mathematical transformation applied to geophysics data to sharpen geological contact definition;

Heavy Rare Earth Elements (HREE) means an informal sub-group of the rare earth metals that comprises europium (Eu), gadolinium (Gd), terbium (Tb), dysprosium (Dy), holmium (Ho), erbium (Er), thulium (Tm), ytterbium (Yb), lutetium (Lu) and yttrium (Y);

Ilmenite means an ore mineral of titanium;

Joint Venture Agreement or JV Agreement means the Cummins Range Joint Venture Agreement between the Company and Navigator;

Joint Venture or Cummins Range JV means the Cummins Range Joint Venture;

Lateritised means a term used to describe rocks that have been subjected to near surface chemical and physical weathering, resulting in the redistribution of some minerals within the rock;

Light Rare Earth Elements (LREE) means a collective term used for lanthanum (La), cerium (Ce), praseodymium (Pr), neodymium (Nd), promethium (Pm) and samarium (Sm);

Magnetic anomaly means a detectable change, positive or negative, from the magnitude of the Earth's magnetic field expected at a given location;

Metamorphism means a geological rock-forming process whereby the minerals within rocks change in composition in response to high temperatures and pressures;

Micaceous means a geological descriptive term used for rocks that contain mica minerals. Micas are a group of rock-forming silicate minerals that have a distinctive sheen-like appearance. The most common mica minerals are biotite and muscovite;

Minimum Subscription means $8.5 million;

Monazite means a mineral, a rare earth-thorium phosphate;

Navigator Director means a director of Navigator;

Navigator means Navigator Resources Limited (ACN 063 366 487);

Navigator Share means a fully paid ordinary share issued by Navigator;

Navigator Shareholder means a person holding Navigator Shares;

Niobium means a metal used in steel-alloying;

Notice of Meeting means the notice of meeting of Navigator Shareholders to approve the Distribution, to be dated on or about 5 April 2011 and includes the explanatory statement to that notice of meeting where the context requires;

Offer means the offer of Shares pursuant to this Prospectus;

Official List means the official list of ASX;

Open pit mining means the industry practice of extracting minerals from an excavation commencing from the surface;

Opening Date means the first date on which Application Forms can be received;

Option means an option to be issued a Share on the terms set out in section 11.5;

Oxide zone means the near surface layers of rock that have been subjected to chemical and physical weathering processes;

Pegmatoidal means having the appearance of a pegmatite, a coarse-grained (large crystals) acid igneous rock;

Peroxide digest means a chemical assay technique used extensively for determination of nitrogen, phosphorus and potassium concentrations within samples;

Phosphate means a compound, in rock form, of phosphoric acid used in fertilisers;

Pipe means a near-vertical historical volcanic vent;

Priority Offer Closing Date has the meaning given in the Timetable;

Priority Offer means the priority offer for Shares at an issue price of $0.20 made to Eligible Navigator Shareholders under the Prospectus;

Priority Offer Record Date has the meaning given in the Timetable;

Prospectus means this prospectus dated 14 March 2011;

Public Offer Closing Date has the meaning given in the Timetable;

Public Offer means the public offer for Shares at an issue price of $0.20 made under the Prospectus;

Pyrite means an iron sulphide mineral commonly found disseminated within rocks;

Pyroxenite means a rock of igneous origin comprising mainly pyroxene iron-magnesium silicate minerals;

Pyrrhotite means a mineral, a magnetic iron sulphide commonly found in association with pyrite and other sulphide ores;

RAB drilling means Rotary Air Blast, meaning a shallow reconnaissance drilling method where the drill sample travels up the outside of the drill-stem between the pipe and the hole;

Radiometric survey means an airborne survey measuring the radioactivity of the earth's surface;

REE means rare earth elements;

REO means rare earth oxide;

Sale Agreement means the sale agreement between the Company and Navigator dated on or about 17 March 2011 and under which the Company will acquire the Sale Interest;

Sale Interest means a 25% interest in the Tenement;

Scandium means a metallic element which occurs in nature in close association with the rare earth metals and is used in aerospace component manufacture;

Share Registry means Advanced Share Registry Limited;

Shareholder means a holder of a Share;

Shares means fully paid ordinary shares in the capital of the Company;

Sphene means a mineral, a calcium-titanium silicate;

Tantalum means the metallic element, chemical symbol, Ta, used in the manufacture of electronic components;

Tenement means exploration licence 80/2232;

Thorium means a naturally-occurring radioactive element;

Timetable means the timetable in section 1.6;

TREO means Total Rare Earth Oxides;

Uranium means a naturally-occurring radioactive element used as the principal fuel source for nuclear energy;

WST means Western Standard Time; and

Zircon means a mineral containing zirconium, used for its refractory properties, that occurs both in alkaline igneous rocks and in heavy mineral sand deposits.

KIMBERLEY RARE EARTHS LTD

ABN 20 147 678 779

PRIORITY OFFER APPLICATION FORM

This Application Form relates to a prospectus dated 14 March 2011 issued by Kimberley Rare Earths Limited ("the Prospectus"). No Shares will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus.

Broker/Dealer Stamp

Share Registrar Use Only

SUB-REGISTER	: CHESS
HIN/SRN	:
Shareholding at the Priority Offer Record date 5.00pm WST 4 April 2011	:
Entitlement to Shares	:
Amount payable on acceptance of $0.20 per Share	:

The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your professional advisor

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

I/we apply for

A ____ **Shares in Kimberley Rare Earths Ltd at $0.20 per Share**

I/we apply for extra shares in addition to our entitlement

B ____ **Shares in Kimberley Rare Earths Ltd at $0.20 per Share**

or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge full application monies

C $ ____ • 0 0 (Cheques to be payable to "**Kimberley Rare Earths Ltd – Share Offer Account**")

Full name (Title, given name(s) & surname or company name)

D

Joint applicant # 2

Joint applicant # 3

Postal address

Street number Street name

E

Suburb/town **State** **Post code**

Contact name **Home telephone number** **Work telephone number**

F

ACN/ARBN (for companies only) **E-mail address**

G

Tax file number or exemption **Applicant # 2** **Applicant # 3**

H

Payment Details

Please enter details of the cheque(s) that accompany this application

Cheque details

	Drawer	Bank	Branch	Amount of cheque
I				
	Drawer	Bank	Branch	Amount of cheque

DECLARATION

1. I/We declare that by lodging this Application Form, I/we represent and acknowledge that I/we have received, read and understood the Prospectus to which this Application Form relates. I/We hereby authorise the Company to complete and execute any document necessary to effect the allotment and issue of any Shares to me/us.
2. By lodging this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and that all statements made by me/us are complete and accurate.
3. I/We also declare that this Application Form is completed according to this declaration and agree to be bound by the terms and conditions set out in the Prospectus and the Constitution of Kimberley Rare Earths Ltd.
4. I/We acknowledge that returning the Application Form with the application monies will constitute my/our offer to subscribe for Shares in Kimberley Rare Earths and that no notice of acceptance of the application will be provided.
5. **An application made using this Application Form will not be valid if another name is substituted for the name printed on the form.**

NO SIGNATURE IS REQUIRED

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 14 MARCH 2011.

No applications will be accepted later than 5.00pm (WST) 21 April 2011.

TREATMENT OF APPLICATION

The return of an Application Form with your cheque for the application money will constitute your offer to purchase or subscribe for Shares. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid.
The decision of the Company as to whether to treat your application as valid and how to construe, amend or complete it shall be final. The decision on the number of Shares to be allocated to you shall also be final. You will not, however, be treated as having offered to purchase more Shares than is indicated on the Application Form.
Applicants whose application are not accepted, or are accepted in respect of a lower number of Shares than the number applied for, will receive a refund of all or part of their application money without interest, as applicable.

CORRECT FORMS OF REGISTRABLE NAMES

Only legal entities may be registered as holders of the Shares. Applications must be in the full name(s) of natural persons, companies or other legal entities. Shares cannot be registered in the name of a trust and no trust can be implied. The name of a beneficiary or any other registrable name may be included by way of account description if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR	CORRECT FORM	EXAMPLES OF INCORRECT FORM
Individuals *Give full name - not initials*	JOHN FRED WILLIAMS	J. F. Williams
Persons under the age of 18 *Do not use the name of the minor, use name(s) of parent(s)/guardian(s)*	MICHAEL JOHN WILSON & SARAH JANE WILSON <ANDREW WILSON A/C>	Andrew Wilson
Companies *Use company title, not abbreviations*	JOHN WILLIAMS PTY LTD	J. Williams Co. John Williams P/L
Trusts *Do not use the name of the trust, use name(s) of trustee(s)*	JOHN FRED WILLIAMS <WILLIAMS FAMILY A/C>	John Williams Family Trust
Deceased Estates *Do not use the name of deceased, use personal names of executor(s)*	JANE MARY MCDONALD <EST JOHN SMITH A/C>	Estate of the Late John Smith
Partnerships *Do not use the name of partnership, use personal names of partners*	SARAH JANE WILSON & MICHAEL JOHN WILSON <SARAH WILSON & SON A/C>	Sarah Wilson & Son
Clubs/Unincorporated Bodies *Do not use name of clubs etc, use personal names of office bearer(s)*	JOHN FRED WILLIAMS <ABC TENNIS ASSOCIATION A/C>	ABC Tennis Association
Superannuation Fund *Do not use name of fund use name(s) of trustee(s)*	SARAH WILSON PTY LTD <SUPER FUND A/C>	Sarah Wilson Pty Ltd Superannuation Fund

How to complete the Application Form

Please complete all relevant sections of the Application Form in BLOCK LETTERS. These instructions are cross-referenced to each section of the Form.

A	Insert the *Number of Shares* you wish to apply for in Section A from your entitlement.
B	Insert the *Number of Additional Shares* you wish to apply for in Section B.
C	Insert your *application money* be multiplying the sum of the number of Shares by $0.20 per share in Section A&B.
D	Enter the *Full Name(s)* and *Title(s)* of all legal entities that are to be recorded as the registered holder(s) of the Shares. You should refer to the back of the Application Form for the correct forms of name which can be registered. Applications using the wrong form of name may be rejected. Up to three joint Applicants may register. An account designation may be entered on the last line of this section. It should be contained within <> brackets with A/C at the end e.g. <SUPER FUND A/C>.
E	Enter your *Postal Address* for all correspondence. All communications to you from Kimberley Rare Earths Ltd will be mailed to the person(s) and address as shown. For joint applications, only one address can be entered.
F	Please insert your *Telephone Number(s)* and contact name in case there are irregularities with your application.
G	If the applicant is a company, insert A.C.N. or A.R.B.N
H	Enter the *tax file number(s)* of the applicants. With a joint holding, only the tax file number of two holders are required.
I	• *Make your cheque(s) or bank draft(s) payable to* "**Kimberley Rare Earths Ltd – Share Offer Account**" in Australian currency. Your cheque(s) or bank draft(s) must be drawn on an Australian bank. • Attach your cheque(s) or bank draft(s) to the Application Form where indicated. Complete the details of your cheque(s) or bank draft(s) in this section,

LODGEMENT OF APPLICATIONS

Insert your Application Form and cheque(s) and mail or deliver your complete application to:

Kimberley Rare Earths Ltd Share Registry

c/- Advanced Share Registry Services OR c/- Advanced Share Registry Services
Unit 2, 150 Stirling Highway PO Box 1156
Nedlands WA 6009 Nedlands WA 6909

Applications must be received at the above address by 5.00pm WST on 21 April 2011 (subject to the right of the Company to close the Offer early).

KIMBERLEY RARE EARTHS LTD

ABN 20 147 678 779

PUBLIC OFFER APPLICATION FORM

This Application Form relates to a prospectus dated 14 March 2011 issued by Kimberley Rare Earths Limited ("Prospectus"). No Shares will be issued pursuant to the Prospectus later than 13 months after the date of the Prospectus.

Broker/Dealer Stamp	Share Registrar Use Only

The Prospectus contains information relevant to a decision to invest in Shares and you should read the entire Prospectus carefully before applying for Shares. If you are in doubt as to how to deal with this Application Form, please contact your professional advisor.

PLEASE READ ALL INSTRUCTIONS ON THE REVERSE OF THIS FORM

I/we apply for

A ☐☐☐☐☐☐☐☐☐ **Shares in Kimberley Rare Earths Ltd at $0.20 per Share**

or such lesser number of Shares which may be allocated to me/us by the Directors.

I/We lodge full application monies of

B $ ☐☐☐☐☐☐☐ • 0 0 (Cheques to be payable to "**Kimberley Rare Earths Ltd – Share Offer Account**")

Full name (Title, given name(s) & surname or company name)

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Joint applicant # 2

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Joint applicant # 3

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Postal address

Street number Street name

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Suburb/town **State** **Post code**

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Contact name **Home telephone number** **Work telephone number**

E ☐☐☐☐☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐

ACN/ARBN (for companies only) **E-mail address**

F ☐☐☐☐☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

Tax file number or exemption **Applicant # 2** **Applicant # 3**

G ☐☐☐☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐ ☐☐☐☐☐☐☐☐☐☐

Payment Details

Please enter details of the cheque(s) that accompany this application

Cheque details

	Drawer	Bank	Branch	Amount of cheque
I				
	Drawer	Bank	Branch	Amount of cheque

DECLARATION

1. I/We declare that by lodging this Public Offer Application Form, I/we represent and acknowledge that I/we have received, read and understood the Prospectus to which this Application Form relates. I/We hereby authorise the Company to complete and execute any document necessary to effect the allotment and issue of any Shares to me/us.
2. By lodging this Application Form, I/we declare that this application is completed and lodged according to the Prospectus and that all statements made by me/us are complete and accurate.
3. I/We also declare that this Application Form is completed according to this declaration and agree to be bound by the terms and conditions set out in the Prospectus and the Constitution of Kimberley Rare Earths Ltd.
4. I/We acknowledge that returning the Public Offer Application Form with the application monies will constitute my/our offer to subscribe for Shares in Kimberley Rare Earths and that no notice of acceptance of the application will be provided.

NO SIGNATURE IS REQUIRED

TO MEET THE REQUIREMENTS OF THE CORPORATIONS ACT, THIS FORM MUST NOT BE HANDED TO ANY PERSON UNLESS IT IS ATTACHED TO OR ACCOMPANIED BY THE PROSPECTUS DATED 14 MARCH 2011.

No applications will be accepted later than 5.00pm (WST) 5 May 2011.

TREATMENT OF APPLICATION

The return of an Application Form with your cheque for the application money will constitute your offer to purchase or subscribe for Shares. If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be treated as valid.
The decision of the Company as to whether to treat your application as valid and how to construe, amend or complete it shall be final. The decision on the number of Shares to be allocated to you shall also be final. You will not, however, be treated as having offered to purchase more Shares than is indicated on the Application Form.
Applicants whose application are not accepted, or are accepted in respect of a lower number of Shares than the number applied for, will receive a refund of all or part of their application money without interest, as applicable.

CORRECT FORMS OF REGISTRABLE NAMES

Only legal entities may be registered as holders of the Shares. Applications must be in the full name(s) of natural persons, companies or other legal entities. Shares cannot be registered in the name of a trust and no trust can be implied. The name of a beneficiary or any other registrable name may be included by way of account description if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR	CORRECT FORM	EXAMPLES OF INCORRECT FORM
Individuals *Give full name - not initials*	JOHN FRED WILLIAMS	J. F. Williams
Persons under the age of 18 *Do not use the name of the minor, use name(s) of parent(s)/guardian(s)*	MICHAEL JOHN WILSON & SARAH JANE WILSON <ANDREW WILSON A/C>	Andrew Wilson
Companies *Use company title, not abbreviations*	JOHN WILLIAMS PTY LTD	J. Williams Co. John Williams P/L
Trusts *Do not use the name of the trust, use name(s) of trustee(s)*	JOHN FRED WILLIAMS <WILLIAMS FAMILY A/C>	John Williams Family Trust
Deceased Estates *Do not use the name of deceased, use personal names of executor(s)*	JANE MARY MCDONALD <EST JOHN SMITH A/C>	Estate of the Late John Smith
Partnerships *Do not use the name of partnership, use personal names of partners*	SARAH JANE WILSON & MICHAEL JOHN WILSON <SARAH WILSON & SON A/C>	Sarah Wilson & Son
Clubs/Unincorporated Bodies *Do not use name of clubs etc, use personal names of office bearer(s)*	JOHN FRED WILLIAMS <ABC TENNIS ASSOCIATION A/C>	ABC Tennis Association
Superannuation Fund *Do not use name of fund use name(s) of trustee(s)*	SARAH WILSON PTY LTD <SUPER FUND A/C>	Sarah Wilson Pty Ltd Superannuation Fund

How to complete the Application Form

Please complete all relevant sections of the Application Form in BLOCK LETTERS. These instructions are cross-referenced to each section of the Form.

A	Insert the *Number of Shares* you wish to apply for in Section A. The application must be for a minimum of 2,000 Shares and thereafter must be in multiples of 1,000 Shares.
B	Insert your *application money* be multiplying the sum of the number of Shares by $0.20 per share in Section A.
C	Enter the *Full Name(s)* and *Title(s)* of all legal entities that are to be recorded as the registered holder(s) of the Shares. You should refer to the back of the Application Form for the correct forms of name which can be registered. Applications using the wrong form of name may be rejected. Up to three joint Applicants may register. An account designation may be entered on the last line of this section. It should be contained within <> brackets with A/C at the end e.g. <SUPER FUND A/C>.
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F	If the applicant is a company, insert A.C.N. or A.R.B.N
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LODGEMENT OF APPLICATIONS

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Kimberley Rare Earths Ltd Share Registry

c/- Advanced Share Registry Services OR c/- Advanced Share Registry Services
Unit 2, 150 Stirling Highway PO Box 1156
Nedlands WA 6009 Nedlands WA 6909

Applications must be received at the above address by 5.00pm WST on 5 May 2011 (subject to the right of the Company to close the Offer early).