

June Quarterly Report

Highlights:

- Activities under Joint Venture with First Quantum commenced 1 April.
- First Quantum has provided valuable input:
 - Several field visits undertaken by renowned experts in sediment hosted copper and structural geology
 - Confirmed similarities between our Dolomite Ore Formation and Congo Mine Series in DRC
 - Structural control of Okanihova mineralization confirmed
 - Logistics, vehicles, equipment and personnel support.
- Regional soil sampling program commenced to obtain ~30,000 soil samples over more than 3,500km².
 - All samples to be analysed by Niton XRF
 - Approx. 3,200 samples to be sent for 4 acid digest, 48 element ICP and Au analysis
 - Objective is to identify anomalies in unexplored and/or covered areas, prospective for further greenfield discoveries.
- Mapping program commenced.
 - Detailed mapping and geochemical survey along Dolomite Ore Formation copper-cobalt horizon (DOF)
 - Detailed mapping of Okanihova (Cu)
 - Regional mapping.
- Phase 3 Okanihova ground magnetics program.
 - Entire Okanihova lineament surveyed, interpreted results pending
- KNE has solid cash position (\$0.92m) and low burn
 - All project costs met from joint venture funding
 - Corporate costs reduced to approximately \$50,000 per month.



FAST FACTS

Capital Structure

Shares on Issue: 38.5 million

Market Cap @ 5c \$1.9 million

Cash on hand \$0.92 million

(30 June 2014)

Corporate Directory

Directors

Philip Werrett

Peter Pawlowitsch

Mike Leech

Managing Director

Brandon Munro

Company Secretary

Ian Hobson

Company Highlights

Mineral exploration for precious and base metals in Namibia.

Contact Details

Place of Business

Level 1, 6 Thelma Street

West Perth 6005

Website

www.kuneneresources.com

ASX Code: KNE

ABN 36 155 396 893

Exploration at Kaoko Project, Namibia

Exploration under the Kaoko Project joint venture with First Quantum Minerals commenced on 1 April and has resulted in a substantial ramping up of the Company's activities.

In addition to funding the project, First Quantum has provided extensive support and input into KNE's management of the joint venture. Several field visits have already been undertaken by renowned experts in sediment hosted copper and structural geology. This expertise, combined with First Quantum's extensive in-house capability, has thus far confirmed similarities between the Dolomite Ore Formation (copper-cobalt horizon known as DOF) and the Congo Mine Series in Democratic Republic of Congo and confirmed the structural control of the mineralization at Okanihova.

First Quantum has provided logistical support (including camp construction at Opuwo and Okanihova) vehicles and equipment to the project. During the quarter 6 vehicles were purchased from joint venture funds. A number of First Quantum personnel have been seconded to the Project.

Regional soil sampling program

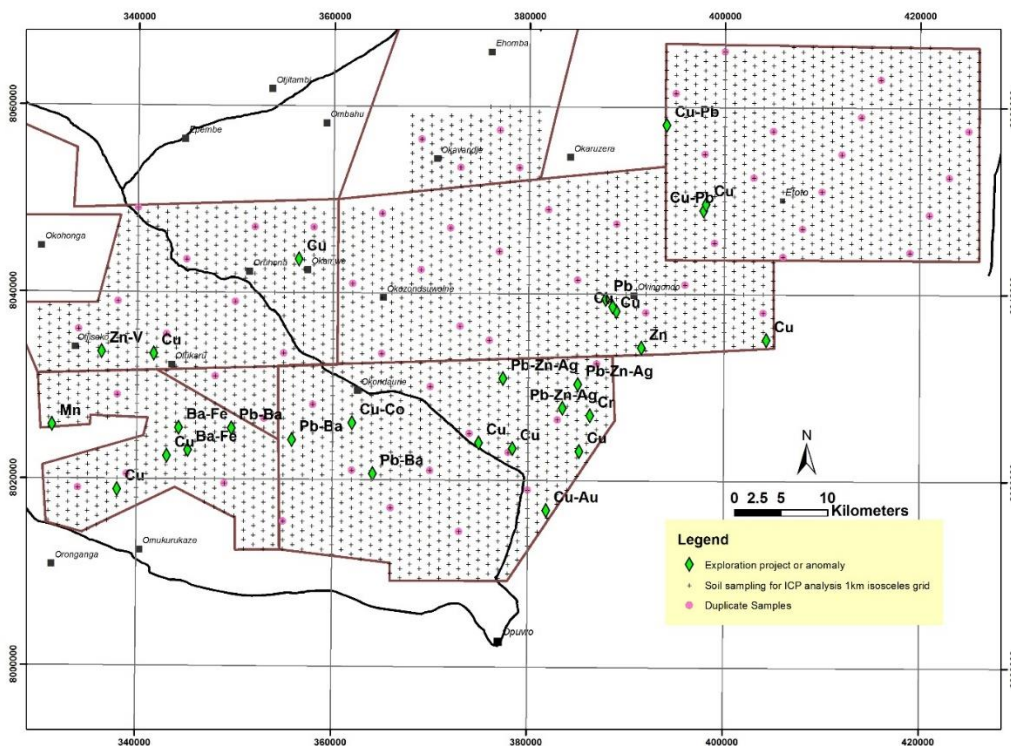


Figure 1: Regional soil grid over licence package with >3200 samples to be taken for ICP and gold assays

A regional soil sampling program commenced to collect approximately 30,000 soil samples covering more than 3,500km² of the licence package. To implement this extensive program we have increased the number of soil sampling teams from 3 to 12, which are serviced by a further 10 full time soil sievers and 2 full time XRF technicians.

All soil samples are analysed in Windhoek by Niton XRF, which will quickly identify soil anomalies for further infill. Additional infill grids will be completed which are designed to directly trace and map stratabound Cu and Zn-Pb mineralisation.

Approximately 3,200 samples (Figure 1) will be sent for comprehensive 48 element analysis by four-acid digest/ICP and fire assay for Au. This data-set will then be subjected to a variety of cutting-edge geochemical and statistical analyses by First Quantum.

The regional soil sampling program is designed as a first step to discover medium to large scale sediment hosted base metals deposits throughout the substantial unexplored and/or covered areas of the licence. These areas are prospective for similar greenfield discoveries to that made at Okanihova.

Geological mapping program

The geological mapping program commenced with a detailed mapping and geochemical survey along the known extent of the Dolomite Ore Formation (copper-cobalt horizon known as DOF). This aspect of the program is being conducted in conjunction with the Colorado School of Mines. The mapping program ramped up in June with a further three First Quantum geologists seconded to the Kunene Resources mapping team. The initial focus for this phase will be detailed mapping of stratigraphy and structures at Okanihova, followed by regional mapping over the remainder of the licence package.

Okanihova geophysics

The third phase of the ground magnetic survey at Okanihova was undertaken. This major program of approximately 24km² will ensure that the entire Okanihova lineament and related copper anomalies are covered by a detailed magnetic survey, of the same high quality as previous phases. Interpreted results are pending.

Further structural interpretation of completed ground magnetic surveys, together with regional aero-magnetic data, was completed. This interpretation highlighted drill targets and areas for follow up. Figure 2 shows structural features surrounding Okanihova (overlaid onto first vertical derivative of the total magnetic intensity, reduced to the pole).

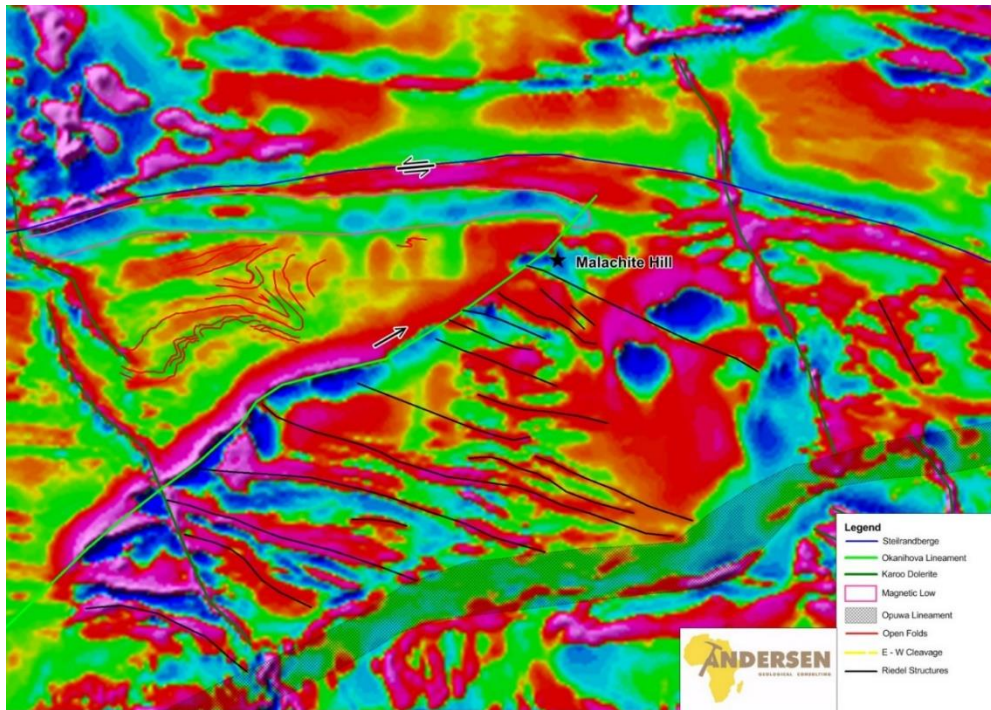


Figure 2: Okanihova structural features on processed aero-magnetic data

Corporate

Following the subscription by First Quantum of the \$1 million convertible note issued in conjunction with the Kaoko Project joint venture, the Company has a solid cash position (\$0.92m as at 30 June 2014) given the Company's low cash burn. As all project related expenses are met by joint venture funding, the Company has reduced corporate costs to approximately \$50,000 per month.

During the quarter, it was announced that 5,475,000 ordinary shares and 7,150,000 KNEO options (exercisable at \$0.25 per share, expiring 7 August 2015) would be released from escrow on 4 July 2014.

For further enquiries please contact:

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Competent Person Statement

The comments regarding the geology, prospectivity and exploration results, in this document, have been made by Simon Coxhell, (Member Australasian Institute of Mining and Metallurgy), who is a consultant of Kunene Resources Ltd. Mr Coxhell has sufficient experience, relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mr Coxhell consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Kunene Resources Limited

Kunene Resources Limited (ASX:KNE) is an emerging precious and base metals exploration company. Kunene Resources is focused on exploring its flagship Kaoko Project in Namibia. The project area has not been comprehensively explored in the past and there is potential for the discovery of new deposits.

Listed on Australian Securities Exchange, Kunene Resources is headquartered in Perth, Australia.

Kaoko Project highlights:

- ✓ 95% owned by Kunene Resources (5% owned by local partner, The Namibian Former Robben Island Political Prisoners Trust)
- ✓ seven exploration licences, total area of 3,478km²
- ✓ emerging minerals province with similar geology to the Central African Copperbelt
- ✓ prospective for copper and other base metals, gold and rare metals
- ✓ project entirely located on communal farmland (ie government owned) with good community support
- ✓ experienced and well regarded in-country management

Infrastructure ready for development

- ✓ Power through Project area from Ruacana hydro station
- ✓ Water: year round water supply from Kunene River
- ✓ Roads: Excellent roads connecting with rail/port
- ✓ no environmental sensitivities or other hurdles

About Namibia

- ✓ Socially and politically stable, good security
- ✓ excellent infrastructure (#1 in Africa: Fraser Institute)
- ✓ history of mining with community acceptance and skills
- ✓ strong rule of law, private property rights in constitution
- ✓ English official language, competent government.

