



ABN 36 155 396 893

ANNUAL REPORT

30 JUNE 2014

CORPORATE DIRECTORY

DIRECTORS

Brandon Munro (Managing Director)
Philip Werrett (Chairman)
Peter Pawlowitsch
Michael Leech

COMPANY SECRETARY

Ian Hobson

REGISTERED AND PRINCIPAL OFFICE

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West Perth WA 6005

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SHARE REGISTRY

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
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Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

AUDITORS

BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

AUSTRALIAN SECURITIES EXCHANGE

Kunene Resources Limited shares (KNE) and options (KNEO) are listed on the Australian Securities Exchange.

LETTER FROM THE BOARD OF DIRECTORS TO SHAREHOLDERS

Dear Shareholders

It has been a very busy year for Kunene Resources Ltd ("Kunene" or "the Company") in what has been a very difficult market for small exploration companies.

During the year the Company had two significant achievements, acquiring 95% of the Kaoko Project in Namibia, then a few months later securing First Quantum Minerals as a joint venture partner for this project. This joint venture has enabled the Company to continue with its aggressive exploration program at a time when the funding environment for junior resource companies continues to be challenging.

First Quantum have been an excellent joint venture party for Kunene. In addition to providing funding they have also provided significant geological expertise to the Kaoko Project which has enabled a better understanding of the geological environment and an accelerated work program.

Additionally during the year Brandon Munro was appointed Managing Director of the Company. Brandon is based in Namibia and with his team brings a wealth of in-country experience. To the Board he will add substantial exploration, regulatory, governance, mergers and acquisitions and capital markets knowledge.

On behalf of the Board, I would like to thank all staff and contractors for their contribution to the continuing successful development of the Company. We recognise the support we have received by the Namibian regulators and the host communities in which we operate. I would also like to thank our shareholders for their support. We have made progress this year in a difficult environment and are looking forward to the exploration results in the year ahead.



Philip Werrett
Chairman

REVIEW OF OPERATIONS

Kunene Resources Limited is an Australian Securities Exchange listed exploration company established to explore, evaluate and exploit mineral resource projects including gold, base metals and magmatic nickel-copper-platinum group metal mineralisation. The Company's flagship project is the Kaoko Project in Namibia.

The year started with the discovery of substantial outcropping copper mineralisation on the Kaoko Project (with the area since being named Okanihova). This discovery resulted in a reprioritisation of exploration focus around Okanihova, with the subsequent soil sampling program defining a large anomaly. The Company proceeded to commence a maiden drilling program at Okanihova. All holes drilled at Okanihova intersected copper mineralisation, which helped further the geological understanding of the area. This additional information also resulted in the Company re-assessing its broader strategy regarding exploration on the Kaoko Project, deciding the best next steps were to step back and do more regional exploration to further its understanding of likely geological models before re-commencing drilling.

Due to the difficult market conditions for exploration companies, the Company decided to enter a process to find a joint venture partner to assist in funding exploration on the Kaoko Project. In February the Company reached an agreement with First Quantum Exploration Holdings Ltd ("First Quantum"), for a joint venture with First Quantum to fund an accelerated exploration program.

CORPORATE

During the year Kunene achieved the following:

- i. On 28 August 2013 the Company entered into an agreement to change the terms of the option on the Kaoko Project in Namibia, such that the Company acquired 95% of the Kaoko Project for:
 - a. 14,000,000 ordinary shares; and
 - b. 10,500,000 25c options expiring 7 August 2015.
- ii. The acquisition of the Kaoko Project completed on 5 November 2013
- iii. Mr Michael Leech was appointed as a Non-executive Director and Daniel Schwann resigned from the Board in November 2013.
- iv. On 11 February 2014 the Company entered into an agreement with First Quantum with the main terms being:
 - a. First Quantum to earn into Kaoko Project
 - i. Minimum expenditure of US\$2m by July 2015
 - ii. Option to spend further US\$5m (total US\$7m) for 51%⁽¹⁾ by June 2017
 - iii. Option to sole fund through to decision to mine for 80%⁽¹⁾
 - iv. A decision to mine must be based on a minimum inferred resource size of 2Mt contained ⁽²⁾.
 - b. Put/call option, at decision to mine, for First Quantum to buy Kunene's remaining 20%⁽¹⁾ for US\$0.04 per pound of contained copper⁽²⁾. Kunene retains a 1% NSR royalty on all production beyond resources paid for under the put/call option.
 - c. Kunene to issue First Quantum a A\$1m convertible loan note
 - i. Kunene has the right to repay by 31 August 2015
 - ii. If the loan is not repaid it will convert at 20 cents per share into 5 million ordinary Kunene shares.
- v. On 4 April 2014, Brandon Munro was appointed Managing Director and Bruce Lane resigned as a Non-executive Director.

⁽¹⁾ percentage ownership of Kunene's 95% interest in the Kaoko Project.

⁽²⁾ copper or copper equivalent for by-products or other commodities.

EXPLORATION ACTIVITIES

KAOKO PROJECT, NAMIBIA

The Kaoko Project is located in the Kunene Region of north-western Namibia, less than 10 kilometres from Opuwo, the regional capital. Opuwo is situated about 650 kilometres north-northwest of Windhoek via a well maintained paved highway. The Project consists of a large contiguous land package which extends approximately 100 kilometres east-west and 50 kilometres north-south. The Project has access to excellent infrastructure including major gravel roads, nearby rail with port access as well as power lines through the project area. The Ruacana Power station is also located nearby.

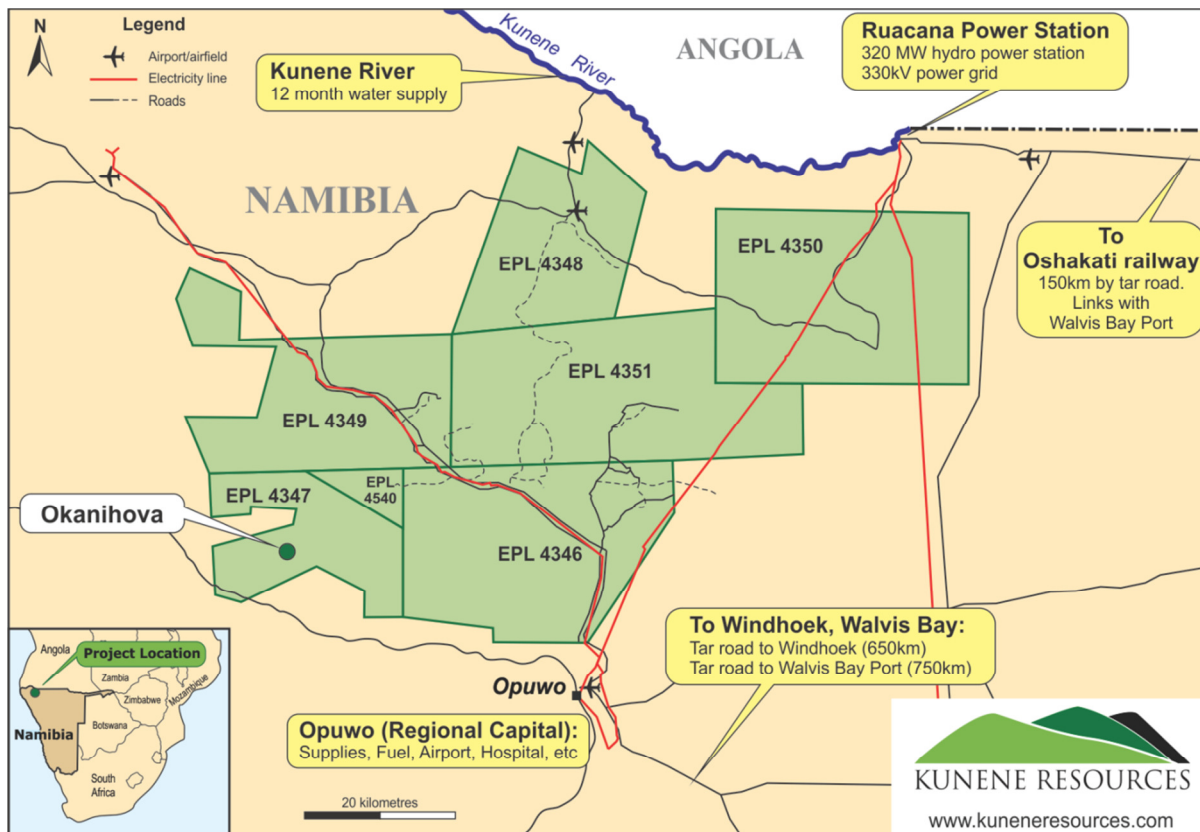


Figure 1: Location map of Kaoko License package showing infrastructure

Namibia is a socially and politically stable jurisdiction with a well-developed legislative framework. The Namibian constitution allows for a multi-party system of government, protection of human rights and is accepting of private ownership of property. Namibia encourages foreign direct investment and a mixed economy.

Geophysics

During the year, two ground based magnetic surveys were undertaken to provide high resolution magnetic data on 20 metre line spacing over a total of 5.5 km². The survey covered area 1 (where diamond drilling was undertaken) and area 2 (magnetic anomalies to the south-west which correlated with surface malachite outcrops and soil anomalies) as shown on Figure 3 below.

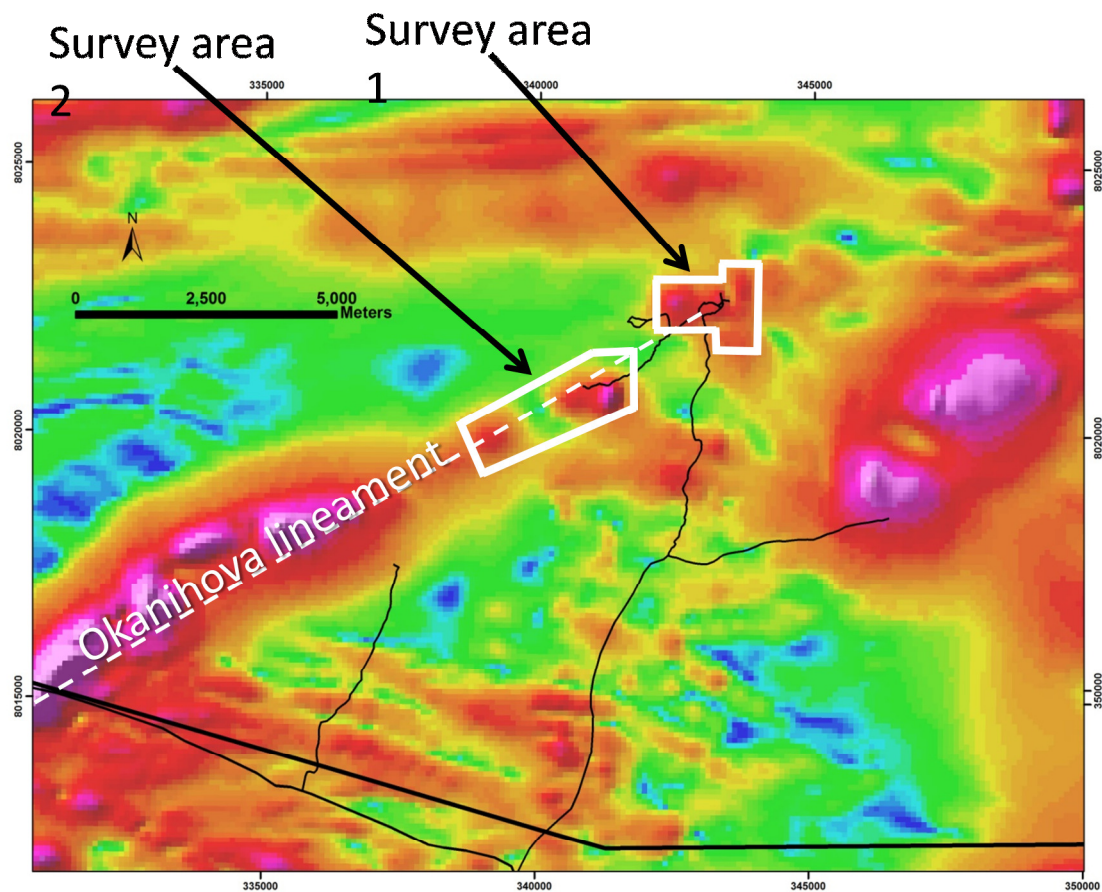


Figure 3: Location of first two ground magnetic surveys undertaken at Okanihova

REVIEW OF OPERATIONS

The third phase of the ground magnetic survey at Okanihova was undertaken extending to the south-west along the Okanihova lineament. Together with the previous two ground magnetic programs, the Okanihova lineament and related copper anomalies are now covered by a high quality magnetic survey. The Okanihova lineament is the key controlling structure for copper mineralisation at Okanihova and can now clearly be traced over 16 km strike length of which about two thirds is covered by thick alluvium (see Figure 4).

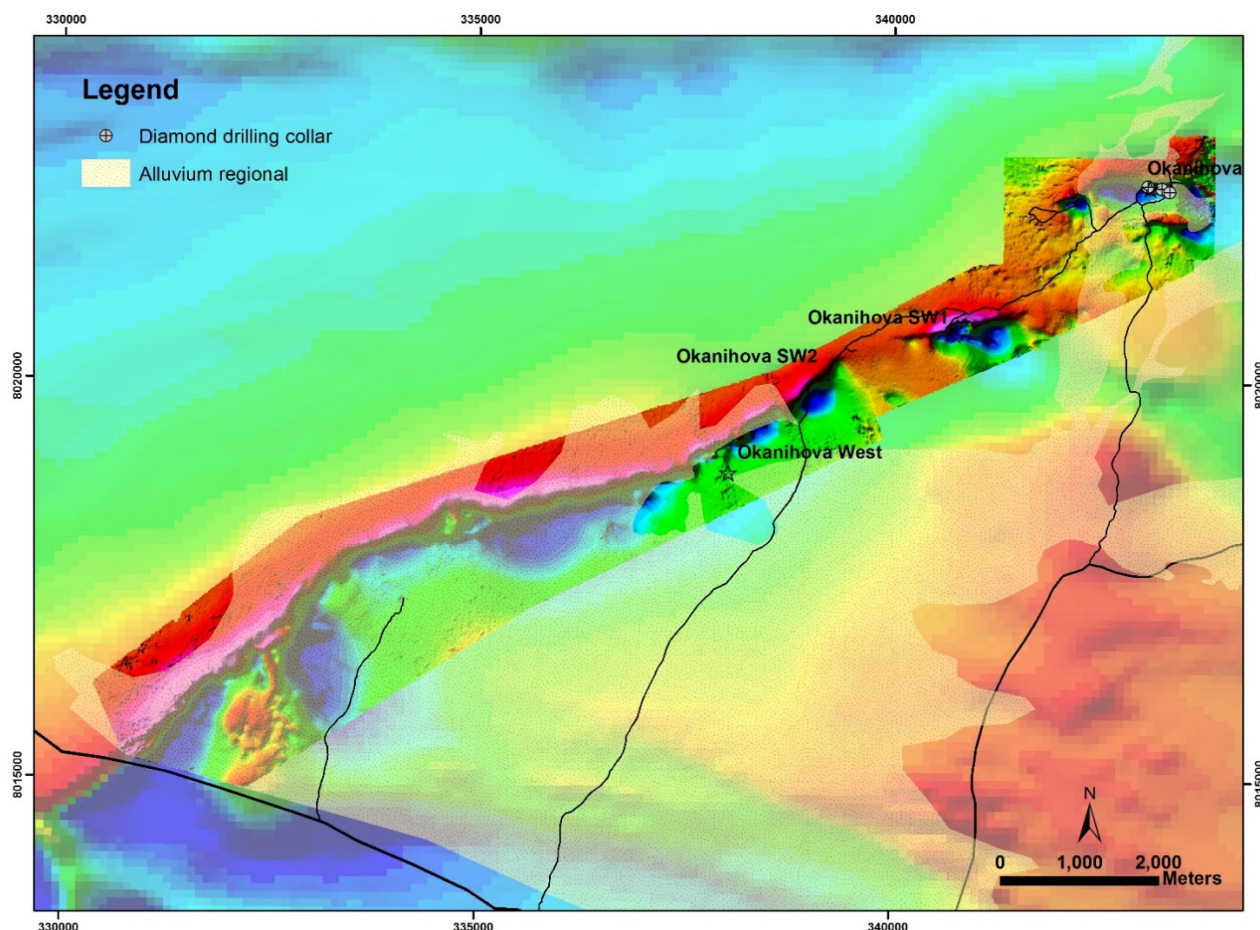


Figure 4: Okanihova ground magnetic survey (rtp on background of government sponsored aeromagnetic data): The mineralisation controlling structure of the Okanihova lineament clearly continues under cover to the SW.

Gregory Symons Geophysics was engaged to conduct a ground based IP survey over selected areas of the Okanihova lineament to determine whether IP is a useful tool to predict sandstone-hosted disseminated copper sulphide mineralisation.

REVIEW OF OPERATIONS

Drilling

The first phase of drilling at Okanihova comprised diamond boreholes KHD01-KHD04 for 1131 metres, with all holes intersecting mineralisation, with all significant results set out in the below table (announced on the 3rd September 2014).

Borehole	Depth (m)	Northing	Easting	RL	Dip	Az	From (m)	To (m)	Width* (m)	Cu
KHD01	365	8,022,475	343,066	1070.0	59	145	248	329	81	0.24%
<i>incl</i>							261	269	8	0.45%
KHD02	332	8,022,445	343,234	1084.2	65	230	8	10	3	0.82%
							46	58	12	0.38%
<i>incl</i>							48	53	5	0.51%
							129	152	23	0.30%
<i>incl</i>							138	143	5	0.61%
							251	267	16	0.29%
KHD03	152	8,022,405	343,326	1068.0	50	240	17	138	122	0.31%
<i>incl</i>							35	45	10	0.55%
<i>incl</i>							53	60	6	0.43%
<i>incl</i>							90	106	16	0.45%
KHD04	282	8,022,405	343,326	1068.0	80	240	18	151	133	0.27%
<i>incl</i>							48	58	10	0.60%
<i>incl</i>							78	86	8	0.48%
<i>incl</i>							148	151	3	0.55%
KHDW01	90	8,022,342	342,923	1047.5	70	30	71	72	2	0.39%

The Company is planning a drill program, to commence during the December quarter. The program will be drilling targets within the Okanihova lineament, including additional holes close to the original Okanihova outcrop area and the sandstone-hosted mineralisation at Okanihova SW. Also included in this phase is a stratigraphic fence of boreholes testing the Dolomite Ore Formation under cover and an adjacent substantial magnetic anomaly assumed to be Chuos formation (Grand Conglomerate equivalent). Further phases of drilling will be determined based on results from this next phase.

Regional soil sampling program

The regional soil sampling program has continued throughout the year with over 23,000 soil samples collected covering approximately 3,500 km² of the licence package. A further phase of soil sampling, to commence end of September 2014, will extend onto adjoining licence areas for a better understanding of regional-scale mineralisation processes.

All soil samples have been analysed by Niton XRF. Copper soil anomalies are being identified and require a combination of further infill sampling and mapping. A systematic sample set of approximately 3,200 samples, covering the whole license block, has been sent for multi-element ICP-MS analysis and fire assay for gold. 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 block. These areas are prospective for similar greenfield discoveries to that made at Okanihova.

To complement the soil sampling data in the covered areas, work has been undertaken to conduct a regional ground water analysis for trace elements and specific isotopes in a selection of approximately 20 water boreholes over the whole licence package.

REVIEW OF OPERATIONS

Geological mapping program

The geological mapping program has progressed with completion of the mapping and geochemical sampling along the known extent of the Dolomite Ore Formation (copper-cobalt horizon known as DOF). This aspect of the program is being conducted in the form of an MSc thesis under supervision of Professor Murray Hitzman of Colorado School of Mines.

Kunene geologists have completed a mapping project on an area where the DOF horizon was predicted by remote sensing (See Figure 2). The stratabound, sandstone-hosted copper mineralisation has been named the Sandstone Ore Formation, or SOF. Mapping and sampling of SOF is ongoing.

Detailed mapping of the central part of the Okanihova project has been completed and will be used in conjunction with ground magnetics and the planned ground based IP surveys to position drill holes for the drilling campaign in the December quarter.

The mapping program is continuing with four First Quantum geologists currently focusing on regional stratigraphic sections to better understand basin structures and morphology and allow for correlation with the stratigraphy of the Central African Copperbelt. First Quantum structural geologists and geophysical experts are conducting interpretations of a number of identified features.

CURRANS WELL PROJECT, WESTERN AUSTRALIA

No work was undertaken during the year.

SANDSTONE PROJECT, WESTERN AUSTRALIA

No work was undertaken during the year, with the project sold in July 2014 for \$15,000

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.

DIRECTORS REPORT

Your directors present their report on the Company and its controlled entities for the year ended 30 June 2014.

DIRECTORS

The names of the Directors of the Company in office during the financial year and up to the date of this report are as follows:

Brandon Munro (appointed 4 April 2014)
Philip Werrett
Peter Pawlowitsch
Daniel Schwann (resigned 5 November 2013)
Bruce Lane (resigned 4 April 2014)
Michael Leech (appointed 5 November 2013)

Directors have been in office since the start of the financial year until the date of this report unless otherwise stated.

The following persons held the position of Company Secretary during the financial year:

Ian Hobson

The particulars of the qualifications, experience and special responsibilities of each Director are as follows:

Brandon Munro – Managing Director

Director since 4 April 2014.

Brandon Munro holds a Bachelor of Economics and Bachelor of Laws from University of Western Australia, and Graduate Diploma in Applied Finance and Investment from Securities Institute of Australia. He is a Fellow of the Financial Services Institute of Australia (Finsia) and is a Graduate Member of the Australian Institute of Company Directors.

Brandon brings regulatory, governance, mergers and acquisitions and capital markets knowledge to the team.

At the date of this report, Mr Munro has interests in the following shares and options of the Company:

- 13,550,000 ordinary shares
- 9,975,000 unlisted options exercisable at 25 cents each and expiring 7 August 2015
- 500,000 unlisted options exercisable at 40c each and expiring 15 September 2016

During the past three years Mr Munro has held the following other listed company directorships:

- Rewardle Holdings Limited – 25 March 2013 – present

Philip Werrett – Non-Executive Chairman

Director since 30 January 2012.

Philip Werrett holds a Bachelor of Business (Accounting) and is a member of the Certified Practicing Accountants of Australia. He has over 30 years commercial experience in both operational and corporate roles, and has held positions as a director of a number of ASX listed entities.

Mr Werrett has extensive experience in senior financial management, and at board level in the management of engineering, mining services and mining exploration companies.

DIRECTORS REPORT

At the date of this report, Mr Werrett has interests in the following shares and options of the Company:

- 200,000 ordinary shares
- 1,050,000 listed options exercisable at 25 cents each and expiring 7 August 2015
- 200,000 unlisted options exercisable at 40c each and expiring 15 September 2016

Mr Werrett was previously an alternate director of Autodom Limited (resigned 15 August 2013). He has not held directorships with any other ASX listed companies in the last three years.

Peter Pawlowitsch – Non-Executive Director

Director since 30 January 2012.

Peter Pawlowitsch holds a Bachelor of Commerce from the University of Western Australia, is a current member of the Certified Practising Accountants of Australia and also holds a Masters of Business Administration from Curtin University.

These qualifications have underpinned more than ten years' experience in the accounting profession, business management and the evaluation of businesses and mining projects.

At the date of this report, Mr Pawlowitsch has interests in the following shares and options of the Company:

- 1,750,000 ordinary shares
- 2,375,000 listed options exercisable at 25 cents each and expiring 7 August 2015
- 500,000 unlisted options exercisable at 40c each and expiring 15 September 2016

During the past three years Mr Pawlowitsch has held the following other listed company directorships:

- Ventnor Resources Limited – 12 February 2010 – present
- Crucible Gold Limited – 26 September 2011 - present

Michael Leech – Non-Executive Director

Director since 5 November 2013.

Michael Leech is a Fellow of the Chartered Institute of Secretaries and Administrators of Southern Africa.

Mr Leech is a respected statesman in the Namibian mining industry. He retired in 2011 as the Managing Director of Rio Tinto's Rossing Uranium Mine, the largest mine in Namibia. Mr Leech is a past President of the Namibian Chamber of Mines and is the former Chairman and inaugural life member of the Uranium Stewardship Committee of Namibia. Mr Leech has been involved in various other operations within the Rio Tinto group.

At the date of this report, Mr Leech has interests in the following shares and options of the Company:

- 200,000 unlisted options exercisable at 40c each and expiring 15 September 2016

During the past three years Mr Leech has held no other listed company directorships.

Daniel Schwann – Non-Executive Director

Resigned as a Director on 5 November 2013.

Daniel Schwann holds a Bachelor of Science (Extractive Metallurgy) from Murdoch University, Graduate Certificate in Mineral Economics from Curtin University and is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors.

Mr Schwann is a consulting metallurgist and has been involved in the mining industry for two decades across a range of commodities and is experienced in project evaluation, development, commissioning and management of operations and has served in such positions for companies such as Newmont, Placer Dome and Barrick Gold Corporation.

During the past three years Mr Schwann has held no other listed company directorships.

DIRECTORS REPORT

Bruce Lane – Non-Executive Director

Resigned as a Director on 4 April 2014.

Bruce Lane holds a Bachelor of Commerce and Master of Science and is a Graduate of the Australian Institute of Company Directors. He brings to the board a broad range of operational management and corporate experience including past roles as executive director of ASX listed companies Stonehenge Metals Ltd (re-appointed 6 May 2014) and Atom Energy Limited (now Excelsior Gold Ltd).

Prior to completing a Sloan Fellowship Masters degree at London Business School (LBS) Mr Lane gained 13 years of international management experience with global blue chip FMCG companies including Unilever, Heinz and Bestfoods.

During the past three years Mr Lane has held the following other listed company directorships:

- Stonehenge Metals Ltd - September 2008 – present

Ian Hobson - Company Secretary

Company Secretary since 24 October 2012

Ian Hobson holds a Bachelor of Business degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson provides company secretary services and corporate, management and accounting advice to a number of listed public companies involved in the resource, mining services and oil and gas industries.

CORPORATE INFORMATION

Corporate Structure

Kunene Resources Limited is a limited liability company that is incorporated and domiciled in Australia. Kunene Resources Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year as follows:

Kunene Resources Ltd	- parent entity
Curran Resources Pty Ltd	- 100% owned controlled entity
Bolt Resources Pty Ltd	- 100% owned controlled entity
African Mining Capital 3 Pty Ltd	- 100% owned controlled entity
Kunene Metals Mauritius (Mauritius)	- 100% owned controlled entity
Gazania Investments 196 (Namibia)	- 95% owned controlled entity
Kunene Resources Namibia (Namibia) <i>(formerly Gazania Investments 195)</i>	- 95% owned controlled entity

Nature of Operations and Principal Activities

The principal continuing activities during the year of entities within the consolidated entity was mineral exploration.

DIRECTORS REPORT

OPERATING AND FINANCIAL REVIEW

Review of Operations

A review of operations for the financial year and the results of those operations is contained within the company review.

Operating Results

Consolidated loss after income tax for the financial year was \$1,697,356 (2013: \$458,568 loss).

Financial Position

At 30 June 2014, the Group had net assets of \$4,767,328 (2013: \$3,046,266) with cash reserves of \$1,272,212 (2013: \$1,788,585).

Financing and Investing Activities

The company issued the following securities during the year:

- 14,000,000 ordinary fully paid shares and 10,500,000 unlisted options exercisable at 25 cents each and expiring on 07 August 2015 in consideration for the acquisition of African Mining Capital 3 Pty Ltd, the holder of the Kaoko Project in Namibia; and
- 1,000,000 convertible notes which convert into 5,000,000 ordinary shares, with 5,000,000 listed options exercisable at 25 cents each and expiring on 07 August 2015, raising \$1,000,000.

Dividends

No dividends were paid during the year (2013: nil) and no recommendation is made as to the payment of dividends.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the company during the financial year are detailed in the company review.

In the opinion of the directors, there were no other significant changes in the state of affairs of the company that occurred during the financial year under review not otherwise disclosed in this report or in the financial report.

EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen, since the end of the financial year, which significantly affected, or may significantly affect, the operations of the group, the results of those operations, or the state of affairs of the Group in subsequent financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group will continue to pursue its principal activity of exploration and evaluation, particularly in respect to the Projects as more particularly outlined in the company review. The Group will also continue to pursue other potential investment opportunities to enhance shareholder value.

DIRECTORS REPORT

MEETINGS OF DIRECTORS

The numbers of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director were as follows:

Board of Directors	Number eligible to attend	Number attended
B Munro	1	1
P Werrett	6	6
P Pawlowitsch	6	6
M Leech	4	3
D Schwann	2	2
B Lane	5	5

REMUNERATION REPORT (AUDITED)

This report details the nature and amount of remuneration for each director and key management personnel of Kunene Resources Limited. The information provided in the remuneration report includes remuneration disclosures that are audited as required by section 308(3C) of the Corporations Act 2001.

For the purposes of this report Key Management Personnel of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

Remuneration Committee

The full Board carries out the roles and responsibilities of the Remuneration Committee and is responsible for determining and reviewing the compensation arrangements for the Directors themselves, the Managing Director and any Executives.

Executive remuneration is reviewed annually having regard to individual and business performance, relevant comparative remuneration and internal and independent external advice.

A. Remuneration policy

The board policy is to remunerate directors' at market rates for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders in a general meeting, from time to time. However, to align directors' interests with shareholders interests, the directors are encouraged to hold shares and options in the company.

The Group's aim is to remunerate at a level that reflects the size and nature of the Group. Group officers and directors are remunerated to a level consistent with the size of the Group.

The directors receive a superannuation guarantee contribution required by the government, which is currently 9.25% (to 30 June 2014, increases to 9.5% from 1 July 2014 it was 9% to 30 June 2013), and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

DIRECTORS REPORT

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

The Group did not pay any performance-based component of remuneration during the year other than incentive options granted to directors as disclosed in Note D below.

B. Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive directors and executive compensation is separate and distinct.

Use of Remuneration Consultants

The Board does not seek the advice of Remuneration Consultants in fulfilling its roles and responsibilities associated with the Remuneration Committee and determining compensation for Directors, the Managing Director and any Key Management Personnel.

Non-executive Director Compensation

Objective

The Board seeks to set aggregate compensation at a level that provides the company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate compensation of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination approved by shareholders was an aggregate compensation of \$250,000 per year.

The amount of aggregate compensation sought to be approved by shareholders and the manner in which it is apportioned amongst directors is reviewed annually. The Board may consider advice from external consultants as well as the fees paid to non-executive directors of comparable companies when undertaking the annual review process. Non-Executive Directors' remuneration may include an incentive portion consisting of options, as considered appropriate by the Board, which may be subject to Shareholder approval in accordance with ASX listing rules.

Executive Compensation

Objective

The entity aims to reward executives with a level and mix of compensation commensurate with their position and responsibilities within the entity so as to:

- reward executives for company and individual performance against targets set by appropriate benchmarks;
- align the interests of executives with those of shareholders;
- link rewards with the strategic goals and performance of the company; and
- ensure total compensation is competitive by market standards.

Structure

In determining the level and make-up of executive remuneration, the Board negotiates a remuneration to reflect the market salary for a position and individual of comparable responsibility and experience. Due to the limited size of the Company and of its operations and financial affairs, the use of a separate remuneration committee is not considered appropriate. Remuneration is regularly compared with the external market by participation in industry salary surveys and during recruitment activities generally. If required, the Board may engage an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

DIRECTORS REPORT

Compensation may consist of the following key elements:

- Fixed Compensation;
- Variable Compensation;
- Short Term Incentive (STI); and
- Long Term Incentive (LTI).

Remuneration consists of a fixed remuneration and a long term incentive portion as considered appropriate.

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Fixed remuneration is reviewed annually by the Board having regard to the Company and individual performance, relevant comparable remuneration in the mining exploration sector and external advice.

The fixed remuneration is a base salary or monthly consulting fee.

Variable Pay — Long Term Incentives

The objective of long term incentives is to reward directors/executives in a manner which aligns this element of remuneration with the creation of shareholder wealth. The incentive portion is payable based upon attainment of objectives related to the director's/executive's job responsibilities. The objectives vary, but all are targeted to relate directly to the Company's business and financial performance and thus to shareholder value.

Long term incentives (LTIs) granted to directors/ executives are delivered in the form of options.

LTI grants to Executives are delivered in the form of employee share options. These options are issued at an exercise price determined by the Board at the time of issue. The employee share options generally vest over a selected period not based on service conditions.

The objective of the granting of options is to reward Executives in a manner which aligns the element of remuneration with the creation of shareholder wealth. As such LTIs are made to Executives who are able to influence the generation of shareholder wealth and thus have an impact on the Company's performance.

The level of LTI granted is, in turn, dependent on the Company's recent share price performance, the seniority of the Executive, and the responsibilities the Executive assumes in the Company.

Typically, the grant of LTIs occurs at the commencement of employment or in the event that the individual receives a promotion and, as such, is not subsequently affected by the individual's performance over time.

C. Employment contracts of directors and senior executives

The employment arrangements of the directors and senior executives are not formalised in a contract of employment except as follows:

- Mr Peter Pawlowitsch commenced a twelve month service agreement on 10 December 2012 under which he is paid \$10,000 consultancy fees per calendar month. Prior to 12 December 2013, this service agreement was extended for a further 12 months and automatically extends on completion of the initial term. Mr Pawlowitsch or the Company can terminate the agreement upon provision of 6 months written notice.
- Mr Brandon Munro as Managing Director, with the key terms being:
 - Salary of \$220,000 per annum (inclusive of superannuation)
 - 6 months' notice of termination by either party with right of payment in lieu of service (subject to restrictions in Corporations Act and Listing Rules)
 - Relocation costs back to Australia

DIRECTORS REPORT

D. Details of remuneration for year

Directors

The following persons were directors of Kunene Resources Limited during the financial year and previous period:

Philip Werrett	Chairman (non-executive)
Peter Pawlowitsch	Director (non-executive)
Daniel Schwann	Director (non-executive) – resigned 5 November 2013
Bruce Lane	Director (non-executive) – appointed 1 February 2013, resigned 4 April 2014
Michael Leech	Director (non-executive) – appointed 5 November 2013
Brandon Munro	Managing Director (executive) – appointed 4 April 2014

There were no other persons that fulfilled the role of a key management person, other than those disclosed as Directors.

Remuneration

Details of the remuneration of each Director and named executive officer of the company, including their personally-related entities, during the year was as follows:

		Short Term Benefits	Post-Employment	Share Based Payments	Total	Remuneration consisting of options during the year %
		Salary and fees \$	Superannuation \$	Options \$		
Directors	Year					
P Werrett	2014	24,423	2,259	17,702	44,384	39.9%
	2013	18,349	1,651	-	20,000	-
B Munro	2014	143,117	19,700	44,255	207,072	21.4%
	2013	-	-	-	-	-
P Pawlowitsch	2014	120,000	-	44,255	164,255	26.9%
	2013	113,200	-	-	113,200	-
D Schwann	2014	6,833	-	-	6,833	-
	2013	20,000	-	-	20,000	-
M Leech	2014	20,000	-	17,702	37,702	46.9%
	2013	-	-	-	-	-
B Lane	2014	20,642	1,909	17,702	40,253	44.0%
	2013	11,468	1,032	-	12,500	-
Total	2014	335,015	23,868	141,616	500,499	28.3%
	2013	163,017	2,683	-	165,700	-

There were no performance related payments made during the year. Performance hurdles are not attached to remuneration options.

DIRECTORS REPORT

E. Compensation options to key management personnel

The following options were granted as equity compensation benefits to Directors. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the Company at various exercise prices with various expiry dates.

Director	Number granted	No. vested during the period	Grant date	Value per option at grant date \$	Exercise price \$	First exercise date	Last exercise date
P Werrett	200,000	200,000	23/10/2013	\$0.08851	\$0.40	11/11/2013	15/09/2016
P Pawlowitsch	500,000	500,000	23/10/2013	\$0.08851	\$0.40	11/11/2013	15/09/2016
B Munro	500,000	500,000	23/10/2013	\$0.08851	\$0.40	11/11/2013	15/09/2016
M Leech	200,000	200,000	23/10/2013	\$0.08851	\$0.40	11/11/2013	15/09/2016
B Lane	200,000	200,000	23/10/2013	\$0.08851	\$0.40	11/11/2013	15/09/2016
Total	1,600,000	1,600,000					

The assessed value at grant date of options to the individuals is included in the remuneration tables above. The total value of the options at grant date was \$141,616. Fair values at grant date are determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

F. Shares issued to key management personnel on exercise of compensation options

No shares were issued to Directors on exercise of compensation options during the year.

G. Voting and comments made at the Company's 2013 Annual General Meeting

The Company received 100% of votes "for" the adoption of the remuneration report for the 2013 financial period. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

H. Loans with Key Management Personnel

There were no loans to key management personnel or their related entities during the financial year.

I. Other transactions with Key Management Personnel

Mr Peter Pawlowitsch, a director of the Company is also a director of Avitus Capital Pty Ltd ("Avitus") which was appointed corporate advisor to the Company in 2012 as part of the Initial Public Offering. During 2013, Avitus was paid \$44,000 in relation to the successful listing of the Company. During the current year, Avitus was paid other consultancy fees (not provided by Mr Pawlowitsch) of \$1,260 (2013: \$20,135).

During the year, the Company leased office space for \$31,404 (2013: \$13,015) and paid shared expenses of \$21,000 (2013: \$11,758) charged by Ventnor Resources Limited, a company in which Mr Peter Pawlowitsch is a director.

During the year, the Company acquired African Mining Capital 3 Pty Ltd from African Mining Capital Pty Ltd by the issue of 14,000,000 ordinary fully paid shares and 10,500,000 options exercisable at 25 cents each, expiring 7 August 2015. Of the consideration, 450,000 shares and 525,000 options were issued directly to a third party as a consulting fee for introducing the Company to African Mining Capital Pty Ltd. African Mining Capital Pty Ltd received 13,550,000 shares and 9,975,000 options of the consideration. Mr Brandon Munro, a director of the Company is also a director of African Mining Capital Pty Ltd. In October 2012, as part of the original agreement with African Mining Capital Pty Ltd, the Company subscribed to \$200,000 in shares of African Mining Capital Pty Ltd.

DIRECTORS REPORT

J. Additional disclosures relating to key management personnel

Shareholdings

The number of shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

Director	Balance at Beginning of Year	Received as Remuneration	Options Exercised	Acquired/ (Disposed)	Net Change Other #	Balance at End of Year
P Werrett	100,000	-	-	100,000	-	200,000
P Pawlowitsch	1,750,000	-	-	-	-	1,750,000
D Schwann	150,000	-	-	-	# (150,000)	-
B Munro	-	-	-	-	## 13,550,000	13,550,000
M Leech	-	-	-	-	-	-
B Lane	-	-	-	40,000	# (40,000)	-
	2,000,000	-	-	140,000	13,360,000	15,500,000

- Shares held at date of appointment or resignation, as applicable

- Shares issued as part consideration for acquisition of African Mining Capital 3 Pty Ltd

Option Holdings

The number of options over ordinary shares in the Company held during the financial year by each Director and other members of key management personnel of the Consolidated Entity, including their personally related parties, is set out below:

Director	Balance at Beginning of Year	Received as Remuneration	Options Expired/ Cancelled	Net Change Other #	Balance at End of Year	Number vested and exercisable
P Werrett	1,050,000	200,000	-	-	1,250,000	1,250,000
P Pawlowitsch	2,375,000	500,000	-	-	2,875,000	2,875,000
D Schwann	1,175,000	-	-	# (1,175,000)	-	-
B Munro	-	500,000	-	## 9,975,000	10,475,000	10,475,000
M Leech	-	200,000	-	-	200,000	200,000
B Lane	250,000	200,000	-	# (450,000)	-	-
	4,850,000	1,600,000	-	8,350,000	14,800,000	14,800,000

- Options held at date of appointment or resignation, as applicable

- Options issued as part consideration for acquisition of African Mining Capital 3 Pty Ltd

This is the end of the Audited Remuneration Report.

DIRECTORS REPORT

INSURANCE OF OFFICERS

The Company has in place an insurance policy insuring Directors and Officers of the Company against any liability arising from a claim brought by a third party against the Company or its Directors and Officers, and against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their capacity as a Director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

In accordance with a confidentiality clause under the insurance policy, the amount of the premium paid to the insurers has not been disclosed. This is permitted under Section 300(9) of the Corporations Act 2001.

SHARE OPTIONS

At the date of this report there were the following unissued ordinary shares for which options were outstanding:

- 17,650,000 unlisted options expiring 7 August 2015, exercisable at 25 cents each
- 17,250,000 listed options expiring 7 August 2015, exercisable at 25 cents each
- 2,100,000 unlisted options expiring 15 September 2016, exercisable at 40 cents each

During the year the following options were issued:

- 15,500,000 options expiring 07 August 2015, exercisable at 25 cents each
- 2,100,000 options expiring 15 September 2016, exercisable at 40 cents each

No options were exercised during the year.

Subsequent to year end and up to the date of this report, no other options have been issued or exercised and no options have expired.

No person entitled to exercise these options had or has any right, by virtue of the option, to participate in any share issue of any other body corporate.

LEGAL PROCEEDINGS

The company was not a party to any legal proceedings during the year.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

ENVIRONMENTAL REGULATIONS

The Group is subject to environmental regulation in Namibia in respect of its Kaoko Project held by the Company's 95% owned controlled subsidiary Kunene Resources Namibia (Pty) Ltd. There have not been any known significant breaches of any environmental regulations during the year under review and up until the date of this report.

DIRECTORS REPORT

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the Corporations Act 2001.

NON-AUDIT SERVICES

There were no amounts paid or payable to the auditor for non-audit services provided during the year by the auditor other than those outlined in Note 4 to the financial statements..

AUDITOR'S DECLARATION OF INDEPENDENCE

The auditor's independence declaration for the year ended 30 June 2014, as required under section 307C of the Corporations Act 2001, has been received and is included within the financial report.

Signed in accordance with a resolution of directors.



Philip Werrett
Chairman
Perth, 30 September 2014

CORPORATE GOVERNANCE

Corporate Governance Policy

The Board of Directors of Kunene Resources Limited is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of Kunene Resources Limited on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement reports on Kunene Resources Limited's key governance principles and practices.

1. COMPLIANCE WITH BEST PRACTICE RECOMMENDATIONS

The Company, as a listed entity, must comply with the Corporations Act 2001 and the ASX Limited (ASX) Listing Rules. The ASX Listing Rules require the Company to report on the extent to which it has followed the Corporate Governance Recommendations published by the ASX Corporate Governance Council (ASXCGC). Where a recommendation has not been followed, that fact is disclosed, together with the reasons for the departure.

The table below summaries the Company's compliance with the Corporate Governance Council's Recommendations:

Principle #	ASX Corporate Governance Council Recommendations	Comply
Principle 1	Lay solid foundations for management and oversight	
1.1	Establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes
1.2	Disclose the process for evaluating the performance of senior executives.	Yes
1.3	Provide the information indicated in the Guide to reporting on principle 1.	Yes
Principle 2	Structure the board to add value	
2.1	A majority of the board should be independent directors.	No
2.2	The chair should be an independent director.	Yes
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes
2.4	The Board should establish a nomination committee.	No Refer 2.4 below
2.5	Disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes
2.6	Provide the information indicated in the Guide to reporting on principle 2.	Yes
Principle 3	Promote ethical and responsible decision-making	
3.1	Establish a code of conduct and disclose the code or a summary as to:	Yes
	• the practices necessary to maintain confidence in the company's integrity;	Yes
	• the practices necessary to take into account the company's legal obligations and the reasonable expectations of its stakeholders; and	Yes
	• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Yes
3.2	Establish a policy concerning diversity and disclose the policy or a summary of that policy.	Yes
3.3	Disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.	No Refer to 3.3 below
3.4	Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes
3.5	Provide the information indicated in the Guide to reporting on principle 3.	Yes

Principle #	ASX Corporate Governance Council Recommendations	Comply
Principle 4	Safeguard integrity in financial reporting	
4.1	The Board should establish an audit committee.	Yes Refer to 4.1 below
4.2	The audit committee should be structured so that it:	
	• consists only of non-executive directors;	No
	• consists of a majority of independent directors;	No
	• is chaired by an independent chair, who is not chair of the Board; and	No
	• has at least three members.	Yes
4.3	The audit committee should have a formal charter	Yes
4.4	Provide the information indicated in the Guide to reporting on principle 4.	Yes
Principle 5	Make timely and balanced disclosure	
5.1	Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes
5.2	Provide the information indicated in the Guide to reporting on principle 5.	Yes
Principle 6	Respect the rights of shareholders	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose the policy or a summary of that policy.	Yes
6.2	Provide the information indicated in the Guide to reporting on principle 6.	Yes
Principle 7	Recognise and manage risk	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes Refer to 7.1 below
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes
7.3	The Board should disclose whether it had received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes Refer to 7.3 below
7.4	Provide the information indicated in the Guide to reporting on principle 7.	Yes
Principle 8	Remunerate fairly and responsibly	
8.1	The Board should establish a remuneration committee.	No Refer to 8.1 below
8.2	Remuneration Committee should be structured so that it:	No
	• consists of a majority of independent directors	
	• is chaired by an independent director; and	
	• has at least three members.	
8.3	Clearly distinguish the structure on non-executive directors' remuneration from that of executive directors and senior executives.	Yes
8.4	Provide the information indicated in the Guide to reporting on principle 8.	Yes

2.4 Nomination Committee

The Company does not comply with ASX Recommendation 2.4. The Company is not of a relevant size to consider formation of a nomination committee to deal with the selection and appointment of new Directors and as such a nomination committee has not been formed.

Nominations of new Directors are considered by the full Board. If any vacancies arise on the Board, all directors are involved in the search and recruitment of a replacement. The Board has taken a view that the full Board will hold special meetings or sessions as required. The Board is confident that this process for selection and review is stringent and full details of all Directors are provided to shareholders in the annual report and on the Company's website.

3.3 Workplace Diversity Policy

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent. Accordingly, the company has established a diversity policy which is available on the company's website.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes, review and appointment of Directors. The Board is responsible for developing policies in relation to the achievement of measurable diversity objectives and the extent to which they will be linked to the Key Performance Indicators for the Board, Managing Director and senior executives.

The Company's strategies may include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing pre-existing succession plans to ensure that there is a focus on diversity;
- encourage female participation across a range of roles across the Company;
- review and report on the relative proportion of women and men in the workforce at all levels of the Company;
- articulate a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- develop programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development; and
- any other strategies that the Board or the Nomination Committee develops from time to time.

At the date of this report the Company has only four board members and two executives. No women are currently represented on the Board or part of the executives.

Due to the current size, nature and scale of the Company's activities the Board has not yet developed objectives regarding gender diversity. As the size and scale of the company grows the Board will set and aim to achieve gender diversity objectives as director and senior executive positions become vacant and appropriately qualified candidates become available.

4.1 Audit Committee

Given the size and scale of the Company's operations the full Board undertakes the role of the Audit Committee. The Audit Committee does not comply with ASX Recommendation 4.2 as the Chair of the Board is Chair of the Audit Committee, the majority of the Board is not independent and the Audit Committee does not consist of non-executive directors. The role and responsibilities of the Audit Committee are summarised below.

The Audit Committee is responsible for reviewing the integrity of the Company's financial reporting and overseeing the independence of the external auditors. The Board sets aside time to deal with issues and

responsibilities usually delegated to the Audit Committee to ensure the integrity of the financial statements of the Company and the independence of the auditor.

The Board reviews the audited annual and half-year financial statements and any reports which accompany published financial statements and recommends their approval to the members. The Board also reviews annually the appointment of the external auditor, their independence and their fees.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the notes to the financial statements in the Annual Report.

There is no indemnity provided by the company to the auditor in respect of any potential liability to third parties.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and preparation and content of the audit report.

Non-audit services provided by the auditors during the year are detailed in note 4 to the financial statements.

7.1 Board oversight of the risk management system

The Company is not currently considered to be of a size, nor is its affairs of such complexity to justify the establishment of a separate Risk Management Committee. Instead, the Board, as part of its usual role and through direct involvement in the management of the Company's operations ensures risks are identified, assessed and appropriately managed. Where necessary, the Board draws on the expertise of appropriate external consultants to assist in dealing with or mitigating risk.

The Board is responsible for approving and overseeing the risk management system. The Board reviews, at least annually, the effectiveness of the implementation of the risk management controls and procedures.

The principle aim of the system of internal control is the management of business risks, with a view to enhancing the value of shareholders' investments and safeguarding assets. Although no system of internal control can provide absolute assurance that the business risks will be fully mitigated, the internal control systems have been designed to meet the Company's specific needs and the risks to which it is exposed.

Annually, the Board is responsible for identifying the risks facing the Company, assessing the risks and ensuring that there are controls for these risks, which are to be designed to ensure that any identified risk is reduced to an acceptable level.

The Board is also responsible for identifying and monitoring areas of significant business risk. Internal control measures currently adopted by the Board include:

- Bi-monthly reporting to the Board in respect of operations and the Company's financial position, with a comparison of actual results against budget; and
- Regular reports to the Board by appropriate members of the management team and/or independent advisers, outlining the nature of particular risks and highlighting measures which are either in place or can be adopted to manage or mitigate those risks.

7.3 Chief Executive Officer and Chief Financial Officer Certification

The Chief Executive Officer and Chief Financial Officer, or equivalent, provide to the Board written certification that in all material respects:

- The Company's financial statements present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards;
- The statement given to the Board on the integrity of the Company's financial statements is founded on a sound system of risk management and internal compliance and controls which implements the policies adopted by the Board; and
- The Company's risk management an internal compliance and control system is operating efficiently and effectively in all material respects.

8.1 Remuneration Committee

The role of a Remuneration Committee is to assist the Board in fulfilling its responsibilities in respect of establishing appropriate remuneration levels and incentive policies for employees.

The Board has not established a separate Remuneration Committee due to the size and scale of its operations. This does not comply with Recommendation 8.1 however the Board as a whole takes responsibility for such issues.

The responsibilities include setting policies for senior officers remuneration, setting the terms and conditions for the Managing Director, reviewing and making recommendations to the Board on the Company's incentive schemes and superannuation arrangements, reviewing the remuneration of both executive and non-executive directors and undertaking reviews of the Managing Director's performance.

The Board believes that it has implemented suitable practices and procedures that are appropriate for an organisation of this size and maturity.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

In determining remuneration, the Board has taken a view that the full Board will hold special meetings or sessions as required. No Director participated in any deliberation regarding his or her own remuneration or related issues. The Board are confident that this process for determining remuneration is stringent and full details of remuneration policies and remuneration received by directors and executives in the current year is contained in the "Remuneration Report" within the Directors' Report of the Annual Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

Consolidated			
	Note	2014 \$	2013 \$
Continuing operations			
Revenue	2(a)	108,106	78,271
Exploration and evaluation expenditure		(404,233)	(42,070)
Depreciation		(11,592)	-
Directors fees and benefits expense		(358,883)	(165,700)
Impairment of investment		(160,000)	-
Share based payments		(185,871)	-
Other expenses	2(b)	(684,883)	(329,069)
Loss before income tax expense		(1,697,356)	(458,568)
Income tax expense	3	-	-
Loss after income tax		(1,697,356)	(458,568)
Attributable to:			
Members of Kunene Resources Limited		(1,682,096)	(458,568)
Non-controlling interests		(15,260)	-
		(1,697,356)	(458,568)
Other comprehensive income/loss			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		(278,763)	-
Total comprehensive loss for the year		(1,976,119)	(458,568)
Attributable to:			
Members of Kunene Resources Limited		(1,962,181)	(458,568)
Non-controlling interests		(13,938)	-
		(1,976,119)	(458,568)
		Cents	Cents
Basic Loss per share for the year attributable to members of Kunene Resources Limited	5	(5.00)	(2.06)
Diluted Loss per share for the year attributable to members of Kunene Resources Limited	5	(5.00)	(2.06)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

		Consolidated	
	Note	2014 \$	2013 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,272,212	1,788,585
Trade and other receivables	7	97,372	14,787
Total Current Assets		1,369,584	1,803,372
Non-Current Assets			
Trade and other receivables	7	20,000	20,000
Available for sale financial assets	8	40,000	200,000
Plant and equipment	9	75,053	-
Prepayments	10	-	904,021
Mining tenements and exploration	11	3,724,489	371,000
Total Non-Current Assets		3,859,542	1,495,021
Total Assets		5,229,126	3,298,393
LIABILITIES			
Current Liabilities			
Trade and other payables	12	115,778	252,127
Other liabilities	13	346,020	-
Total Current Liabilities		461,798	252,127
Total Liabilities		461,798	252,127
Net Assets		4,767,328	3,046,266
EQUITY			
Contributed equity	14	6,254,438	2,874,438
Reserves	15	1,168,957	988,850
Accumulated losses		(2,499,118)	(817,022)
Total Equity attributable to members of Kunene Resources Limited		4,924,277	3,046,266
Non-controlling interests	26	(156,949)	-
Total Equity		4,767,328	3,046,266

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated	Contributed Equity \$	Accumulated Losses \$	Reserves \$	Non- controlling Interests \$	Total \$
2014					
Balance at 1 July 2013	2,874,438	(817,022)	988,850	-	3,046,266
Loss attributable to members of Kunene Resources Limited	-	(1,682,096)	-	-	(1,682,096)
Loss attributable to non-controlling interests	-	-	-	(15,260)	(15,260)
Exchange differences on translation of foreign operations	-	-	(278,763)	-	(278,763)
Other comprehensive income	-	-	-	-	-
Total comprehensive loss for the year	-	(1,682,096)	(278,763)	(15,260)	(1,976,119)
Transactions with owners in their capacity as owners:					
Non-controlling interests on acquisition of subsidiary	-	-	-	(141,688)	(141,688)
Securities issued during the year	2,380,000	-	-	-	2,380,000
Convertible notes issued	1,000,000	-	-	-	1,000,000
Cost of share based payments	-	-	458,870	-	458,870
Balance at 30 June 2014	6,254,438	(2,499,118)	1,168,957	(156,949)	4,767,328
2013					
Balance at 1 July 2012	1,979,938	(358,454)	866,350	-	2,487,834
Loss for period	-	(458,568)	-	-	(458,568)
Total comprehensive loss for the year	-	(458,568)	-	-	(458,568)
Transactions with owners in their capacity as owners:					
Securities issued during the year	1,000,000	-	122,500	-	1,122,500
Capital raising costs	(105,500)	-	-	-	(105,500)
Balance at 30 June 2013	2,874,438	(817,022)	988,850	-	3,046,266

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated			
	Note	2014 \$	2013 \$
		Inflows/ (Outflows)	Inflows/ (Outflows)
Cash flows from operating activities			
Payments to suppliers and employees		(970,386)	(486,952)
Interest received		23,460	74,586
Net cash (used in) operating activities	6(i)	(946,926)	(412,366)
Cash flows from investing activities			
Expenditure on mining interests		(799,956)	(1,024,368)
Payment of equity investments			(200,000)
Payment of security bond		-	(20,000)
Payment for plant and equipment		(61,961)	-
Receipts from farm in funding		713,451	-
Payments for farm in exploration		(367,431)	-
Net cash (used in) investing activities		(515,897)	(1,244,368)
Cash flows from financing activities			
Proceeds from issue of shares and options		-	1,122,500
Proceeds from issue of convertible notes		1,000,000	-
Payment of capital raising costs		-	(194,889)
Net cash provided by financing activities		1,000,000	927,611
Net (decrease) in cash held		(462,823)	(729,123)
Cash at beginning of the year		1,788,585	2,517,708
Effect of exchange rate changes on cash		(53,550)	-
Cash at end of the year	6	1,272,212	1,788,585

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies*

(a) **Basis of Preparation**

These consolidated financial statements and notes represent those of Kunene Resources Limited and controlled entities. ("Group" or "Consolidated Entity").

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Kunene Resources Limited ("Company" or "Parent Entity") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX). The nature of the operations and principal activities of the Group are described in the Directors' Report.

The separate financial statements of the parent entity, Kunene Resources Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

(b) **Adoption of new and revised standards**

In the year ended 30 June 2014, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual financial reporting year.

In note 27 - New accounting standards for application in future periods, the Company has outlined certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods and have not been early adopted by the Company.

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2013:

- (i) *AASB 10 Consolidated Financial Statement, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, AASB 128 Investments in Associates and Joint Ventures, AASB 127 Standards arising from the Consolidation and Joint Arrangements Standards*
- (ii) *AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period*
- (iii) *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)*
- (iv) *AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual improvement 2009-2011 Cycle, and*
- (v) *AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities*

The adoption of AASB 12 and AASB 13 resulted in changes in accounting policies and affected the disclosures in the notes to the financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies (Cont.)*

(c) **Statement of Compliance**

The financial report was authorised for issue on 30 September 2014.

The financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

(d) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of Kunene Resources Limited ("Company" or "Parent Entity") and its subsidiaries as at 30 June each year ("Consolidated Entity" or "Group"). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Control exists where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing when the Group controls another entity.

Business combinations have been accounted for using the acquisition method of accounting (refer note 1(e)).

Unrealised gains or transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the statement of comprehensive income and within equity in the consolidated statement of financial position. Losses are attributed to the non-controlling interests even if that results in a deficit balance.

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised within equity attributable to owners of the Company.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies (Cont.)*

(e) **Business combinations**

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or business under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified as either equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

(f) **Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

(g) **Cash and cash equivalents**

Cash comprises cash at bank and in hand. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as described above, net of outstanding bank overdrafts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies (Cont.)*

(h) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement within 30 days from the date of recognition. Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off.

An allowance account for doubtful receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the provision is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance has been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of profit or loss and other comprehensive income.

(i) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies (Cont.)*

(i) **Income Tax (Cont.)**

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(j) **Other taxes**

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(k) **Financial assets**

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(k) Financial assets (Cont)

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the marketplace

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(ii) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

(l) Mineral exploration and evaluation expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- (i) the rights to tenure of the area of interest are current; and
- (ii) at least one of the following conditions is also met:
 - (a) the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
 - (b) exploration and evaluation activities in the area have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence, or otherwise, of economically recoverable reserves and active and significant operations in, or relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(l) Mineral exploration and evaluation expenditure (Cont.)

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (for the cash generating unit(s) to which it has been allocated being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in previous years.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development.

(m) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

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 of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(n) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. *Summary of Significant Accounting Policies (Cont.)*

(o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate assets but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

(p) Share-based payment transactions

The Group provides benefits to employees (including senior executives) of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model or the binomial option valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Kunene Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(p) Share-based payment transactions (Cont.)

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(q) 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.

(r) 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 the Company.

(s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the parent, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit attributable to members of the parent, adjusted for:

- costs of servicing equity (other than dividends) and preference share dividends;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(t) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment – over 3 to 5 years.

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment

The carrying values of property, plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment 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 of money and the risks specific to the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(t) Plant and equipment (Cont.)

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the assets belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

For plant and equipment, impairment losses are recognised in the statement of comprehensive income.

(ii) Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised

(u) Foreign currency translation

The functional and presentation currency of Kunene Resources Limited and its Australian subsidiaries is Australian dollars (A\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Foreign exchange gains and losses are presented in profit or loss on a net basis within other income or other expenses, unless they relate to borrowings, in which case they are presented as part of finance costs.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was measured.

The functional currency of the overseas subsidiaries is nambian dollars. At the end of the reporting period, the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of Kunene Resources Limited at the closing rate at the end of the reporting period and income and expenses are translated at the weighted average exchange rates for the year. All resulting exchange difference are recognised in other comprehensive income as a separate component of equity (foreign currency translation reserve). On disposal of a foreign entity, the cumulative exchange differences recognised in foreign currency translation reserves relating to that particular foreign operation is recognised in profit or loss.

(v) Convertible notes

Convertible notes that can be converted to share capital at the option of the holder and where the number of shares is fixed is treated as contributed equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(w) Asset acquisition

On 1 November 2014 Kunene Resources Limited acquired 100% of the issued shares of African Mining Capital 3 Pty Ltd. African Mining Capital 3 Pty Ltd owns 95% of Kunene Resource Namibia Pty Ltd, a Namibian incorporated company that holds licenses to the Kaoko Project, Namibia.

Kunene Resources Limited acquired African Mining Capital 3 Pty Ltd with the only key asset being its retained interest in the Kaoko project. As the acquisition of African Mining Capital Pty Ltd is not deemed a business acquisition, the transaction must be accounted for as a share based payment for the net assets acquired.

When an asset acquisition does not constitute a business combination, the assets and liabilities are assigned a carrying amount based on their relative fair values in an asset purchase transaction and no deferred tax will arise in relation to the acquired assets and assumed liabilities as the initial recognition exemption for deferred tax under AASB 112 applies. No goodwill will arise on the acquisition and transaction costs of the acquisition will be included in the capitalised cost of the asset.

(x) Fair value

Fair values may be used for financial asset and liability measurement and well as for sundry disclosures.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

(y) Significant Accounting Estimates and Judgments

Significant accounting judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Exploration and evaluation assets

The Group's accounting policy for exploration and evaluation expenditure is set out at note 1(m). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the policy, it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. Summary of Significant Accounting Policies (Cont.)

(y) Significant Accounting Estimates and Judgments (Cont.)

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Impairment of assets

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates and the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No assets were subject to impairment testing at 30 June 2013 and 30 June 2014.

(ii) Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined from market value using the Black Scholes method.

(iii) Deferred tax balances

Deferred Tax Balances have not been recognised as it is not probable that they will be recovered.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014
\$

2013
\$

2. Revenue and Expenses

(a) Revenue

Interest received – other corporations	21,264	78,271
Other income	86,842	-
	108,106	78,271

(b) Expenses

Accounting	50,016	28,019
Audit fees	27,420	34,983
Consulting fees	79,296	40,105
Employee benefits expense	183,639	-
Insurance	48,170	13,870
Legal fees	73,536	53,716
Occupancy costs	42,789	19,803
Securities exchange and registry fees	31,762	47,202
Travel expenses	63,874	61,776
Other	84,381	29,595
	684,883	329,069

3. Income Tax

(a) Income Tax Expense

The income tax expense for the year differs from the prima facie tax as follows:

Loss for year	(1,682,096)	(458,568)
Prima facie income tax (benefit) @ 30%	(504,629)	(137,570)
Tax effect of non-deductible items	117,111	(78,720)
Deferred tax assets not brought to account	387,518	216,290
Total income tax expense	-	-

(b) Deferred Tax Assets

Deferred tax assets not brought to account arising from tax losses, the benefits of which will only be realised if the conditions for deductibility set out in note 1(i) occur:

623,410 **270,761**

There are no franking credits available to the Group.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014
\$

2013
\$

4. Auditors' Remuneration

The auditor of Kunene Resources Limited is BDO Audit (WA) Pty Ltd.

Amounts, received or due and receivable by BDO Audit (WA) Pty Ltd for:

- audit or review services

27,420 34,983

27,420 34,983

5. Loss per Share (EPS)

Cents

Cents

Basic loss per share

(5.00) (2.06)

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

Earnings – Loss used to calculate EPS

(1,682,096) (458,568)

No.

No.

Weighted average number of ordinary shares used in the calculation of basic EPS

33,667,123 22,280,822

As the Company is in a loss position there is no diluted EPS calculated

6. Cash and Cash Equivalents

Cash at bank

1,272,212 1,788,585

Cash at bank earns interest at floating rates based on daily bank deposit rates.

This should be read in conjunction with note 22 on Financial Risk Management

(i) Reconciliation of loss for the year to net cash flows from operating activities:

Loss for the year

(1,697,356) (458,568)

Depreciation

11,592 -

Equity settled share based payment

185,871 -

Write off of exploration expenditure

404,233 42,070

Write off of investment

160,000 -

Changes in assets and liabilities

Receivables

(21,618) (11,922)

Payables

10,352 16,054

Net cash outflows from operating activities

(946,926) (412,366)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated

2014	2013
\$	\$

6. Cash and Cash Equivalents (Cont.)

(ii) Non-cash financing and investing activities

During the year, the Company acquired all the shares of African Mining Capital 3 Pty Ltd. As part consideration, the Company issued 14,000,000 ordinary fully paid shares and 10,500,000 options exercisable at 25 cents each, expiring 7 August 2015. The fair value of the securities issued at the date of acquisition was \$2,653,000. Refer note 18.

7. Trade and Other Receivables

Current

Interest receivable	1,489	3,685
GST recoverable	19,584	11,102
Other receivables	76,299	-
	97,372	14,787

Terms and conditions relating to the above financial instruments:

- Other receivables are non-interest bearing and generally repayable within 30 days.
- No receivables are past due or impaired.
- Refer to risk management note 22

Non-Current

Security bonds	20,000	20,000
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The security bond is held as security for a corporate credit card facility utilised by the Company.

8. Available for Sale Financial Assets

Investment in African Mining Capital Pty Ltd (unlisted entity)	40,000	200,000
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In October 2012 Kunene Resources Limited signed a binding Heads of Agreement with African Mining Capital Pty Ltd ("AMC") to enter into a joint venture to earn and acquire 76% of the Kaoko Project, Namibia. As part of the agreement, the Group subscribed to \$200,000 in shares of AMC (3,636,364 shares, being approximately 3% of the share capital of AMC). The carrying value of the investment has been written down to approximate its fair value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014 **2013**
\$ **\$**

9. Plant and Equipment

Plant and equipment - at cost	88,810	-
Less: Accumulated depreciation	(13,757)	-
Net carrying amount	75,053	-

Reconciliation

Net carrying amount at the beginning of the year	-	-
Additions	88,162	-
Disposals	-	-
Depreciation expense	(11,592)	-
Foreign exchange movement	(1,517)	-
Net carrying amount at the end of the year	75,053	-

10. Prepayments

Exploration spending on Kaoko Project, Namibia	-	904,021
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Exploration spending was incurred under the agreement with African Mining Capital Pty Ltd to earn and acquire 76% of the Kaoko Project, Namibia held by its subsidiary African Mining Capital 3 Pty Ltd. This agreement was subsequently replaced with the agreement to acquire African Mining Capital 3 Pty Ltd (refer note 18).

11. Mining Tenements and Exploration

Expenditure brought forward	371,000	108,600
Exploration assets acquired	3,744,599	-
Expenditure incurred during year	199,733	304,470
Expenditure written off during year	(404,233)	(42,070)
Foreign exchange movement	(186,610)	-
Expenditure carried forward	3,724,489	371,000

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest, at amounts at least equal to book value.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014
\$

2013
\$

12. Trade and Other Payables

Current

Trade and other payables

115,778 **252,127**

Terms and conditions relating to the above financial instruments:

- Trade payables are non-interest bearing and are normally settled on 30 day terms.
- Due to the short term nature of trade payable and accruals, their carrying value is assumed to approximate their fair value.
- Amounts are expected to be settled within twelve months, refer to risk management note 22.

13. Other Liabilities

Current

Joint venture partner funds

346,020 **-**

During the year, the Company entered into an earn-in agreement with First Quantum Minerals Limited and its subsidiary FQM Exploration Holdings Ltd ("joint venture partner") over the Company's Kaoko Project, Namibia. Under the agreement the joint venture partner can earn an 80% interest in the project by meeting expenditure obligations on the project.

The amount above, held on behalf of the joint venture partner, is the balance of funds provided towards meeting their expenditure obligations. Refer to risk management note 22.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

		Consolidated	
		2014 \$	2013 \$
14. Contributed Equity			
(a) Share capital			
Ordinary shares - fully paid		5,254,438	2,874,438
(b) Other equity securities			
Convertible notes – conversion rights		1,000,000	-
Total contributed equity		6,254,438	2,874,438

(b) Movement in ordinary shares capital	2014 Number	2014 \$	2013 Number	2013 \$
(i) <i>Ordinary shares – fully paid</i>				
Balance at beginning of year	24,500,000	2,874,438	19,500,000	1,979,938
Expense of issue pursuant to prospectus - 26 June 2012	-	-	-	(44,000)
Issued for cash pursuant to placement - 10 December 2012	-	-	5,000,000	1,000,000
Expense of issue	-	-	-	(61,500)
Issued as consideration for acquisition of assets - 4 November 2013	14,000,000	2,380,000	-	-
Balance at end of year	38,500,000	5,254,438	24,500,000	2,874,438

(c) Share Options

At the end of the year, the following options over unissued ordinary shares were outstanding:

- 17,650,000 unlisted options expiring 7 August 2015, exercisable at 25 cents each
- 17,250,000 listed options expiring 7 August 2015, exercisable at 25 cents each
- 2,100,000 unlisted options expiring 15 September 2016, exercisable at 40 cents each

(d) Terms and conditions of issued capital

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

14. Contributed Equity (Cont.)

(e) Convertible notes

Under the earn-in agreement with First Quantum Minerals Limited and its subsidiary FQM Exploration Holdings Ltd ("FQME") the Company issued 1,000,000 convertible notes for \$1,000,000 to FQME, repayable by 31 August 2015. The Company has the option to repay the convertible notes by the issue of 5 shares for each convertible note (5,000,000 shares to be issued at 20 cents each).

In consideration for the advance of the funds pursuant to the convertible notes, the Company issued 5,000,000 options expiring 7 August 2015, exercisable at 25 cents each to FQME. The convertible notes and the attached options have been valued together as conversion rights to shares and included as other equity securities.

Refer to capital risk management note 22.

Consolidated

	2014 \$	2013 \$
15. Reserves		
Option issue reserve	1,447,720	988,850
Foreign currency translation reserve	(278,763)	-
	1,168,957	988,850

Option issue reserve

(i) Nature and purpose of reserve

The option issue reserve is used to accumulate amounts received on the issue of options and records items recognised as expenses on valuation of incentive based share options.

(ii) Movements in reserve

Balance at beginning of year	988,850	866,350
Issue of incentive based share options	185,871	-
Options issued as consideration for acquisition of assets (note 18)	273,000	-
Listed options issued for cash pursuant to prospectus	-	122,500
Balance at end of year	1,447,721	988,850

In January 2013, the Company completed a non-renounceable entitlement offer by issuing 12,250,000 listed options at an issue price of \$0.01 each to raise \$122,500. Each option is exercisable at \$0.25 and expires 7 August 2015.

Foreign currency translation reserve

(iii) Nature and purpose of reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign operations.

(iv) Movements in reserve

Balance at beginning of year	-	-
Currency translation differences	278,763	-
Balance at end of year	278,763	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014
\$

2013
\$

16. Exploration Commitments

The company has certain obligations to perform minimum exploration work and to expend minimum amounts of money on such work on mining tenements. These obligations may be varied from time to time subject to approval and are expected to be fulfilled in the normal course of the operations of the Group. These commitments have not been provided for in the accounts. Due to the nature of the Group's operations in exploring and evaluating areas of interest, it is difficult to accurately forecast the nature and amount of future expenditure beyond the next year. Expenditure may be reduced by seeking exemption from individual commitments, by relinquishment of tenure or any new joint venture arrangements. Expenditure may be increased when new tenements are granted or joint venture agreements amended. The minimum expenditure commitment on the tenements is:

Not later than one year

47,220 **80,520**

17. Contingent Liabilities

It is possible that native title, as defined in the Native Title Act 1993, might exist over land in which the company has an interest. It is impossible at this stage to quantify the impact (if any) that the existence of native title may have on the operations of the Group. However, at the date of this report, the Directors are aware that applications for native title claims have been accepted by the Native Title Tribunal over tenements held by the Group. The Group does not have any other contingent liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

18. *Asset Acquisition of African Mining Capital 3 Pty Ltd*

Effective 1 November 2013, the Company acquired 100% of the issued shares of African Mining Capital 3 Pty Ltd. African Mining Capital 3 Pty Ltd owns 95% of Kunene Resources Namibia (Pty) Ltd (formerly Gazania Investments One Hundred and Ninety Five (Pty) Ltd), a Namibian incorporated company that holds the licenses to the Kaoko Project, Namibia.

The total cost of the acquisition was \$2,692,070 and comprised an issue of equity instruments and payment of cash. The company issued 14,000,000 ordinary fully paid shares and 10,500,000 options exercisable at 25 cents each, expiring 7 August 2015, as consideration for the acquisition. An additional cash payment of \$39,070 is due to be made in April 2014.

The fair value of the identifiable assets and liabilities of African Mining Capital 3 Pty Ltd as at the date of acquisition was:

	Fair Value
	\$
Cash and cash equivalents	25,370
Trade and other receivables	10,694
Plant and equipment	26,201
Licenses interests and exploration expenditure	3,744,599
Trade and other payables	(24,688)
Loan payable to Kunene Resources Limited	(1,268,881)
Foreign currency translation	37,087
Fair value of net identifiable assets acquired	2,550,382
Less: non-controlling interests	141,688
Net assets acquired	<u>2,692,070</u>

Cost of the acquisition:

Securities issued, at fair value	2,653,000
Cash payable	39,070
Direct costs relating to the acquisition	-
Total cost of the combination	<u>2,692,070</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

19. Financial Reporting by Segments

The Group has identified its operating segments based on the internal reports that are used by the Board (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Board as a whole will regularly review the identified segments in order to allocate resources to the segment and to assess its performance.

During the year, the Group acquired a 95% interest in the Kaoko Project, Namibia through acquisition of African Mining Capital 3 Pty Ltd. The Board considers that it has operated in two segments, being mineral exploration within Australia and in Namibia.

Where applicable, corporate costs, finance costs, interest revenue and foreign currency gains and losses are not allocated to segments as they are not considered part of the core operations of the segments and are managed on a Group basis.

The consolidated entity is domiciled in Australia. Segment revenues are allocated based on the country in which the project is located.

Year Ended 30 June 2014	Exploration Australia \$	Exploration Namibia \$	Non-Segment \$	Consolidated \$
Revenue	15,000	48,682	44,424	108,106
Segment result (Loss)	(387,858)	(325,304)	(984,194)	(1,697,356)
Total segment assets	17,135	4,245,007	966,984	5,229,126
Total segment liabilities	(1,632)	(417,193)	(42,973)	(461,798)
Non-segment assets include:				
Cash and cash equivalents			866,680	
Available for sale financial assets			40,000	

Period Ended 30 June 2013	Exploration Australia \$	Exploration Namibia \$	Non-Segment \$	Consolidated \$
Revenue	-	-	78,271	78,271
Segment result (Loss)	(17,288)	(9,571)	(431,709)	(458,568)
Total segment assets	373,409	904,021	2,020,963	3,298,393
Total segment liabilities	(86)	(143,125)	(108,916)	(252,127)
Non-segment assets include:				
Cash and cash equivalents			1,788,585	
Available for sale financial assets			200,000	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. Related Party Transactions

(a) Subsidiaries

The consolidated financial statements include the financial statements of Kunene Resources Limited and the subsidiaries listed in the following table:

	County of Incorporation	Class of Shares	% Equity Interest	
			2014 %	2013 %
Curran Resources Pty Ltd	Australia	Ordinary	100	100
Bolt Resources Pty Ltd	Australia	Ordinary	100	-
African Mining Capital 3 Pty Ltd	Australia	Ordinary	100	-
Kunene Metals Mauritius	Mauritius	Ordinary	100	-
Gazania Investments One Hundred and Ninety Six (Pty) Ltd	Namibia	Ordinary	95	-
Kunene Resources Namibia (Pty) Ltd	Namibia	Ordinary	95	-

(b) Parent entity

Kunene Resources Limited is the ultimate Australian parent entity and ultimate parent of the Group.

(c) Key management personnel

Refer to the remuneration report contained in the Directors Report for details of the remuneration paid or payable to each member of the Consolidated Entity's key management personnel for the year ended 30 June 2014.

The totals of remuneration paid to key management personnel of the Company during the period are as follows:

	Consolidated	
	2014 \$	2013 \$
Short-term benefits	335,015	163,017
Post-employment benefits	23,868	2,683
Share based payments	141,616	-
	500,499	165,700

(d) Other transactions with Key Management Personnel

Mr Peter Pawlowitsch, a director of the Company is also a director of Avitus Capital Pty Ltd ("Avitus") which was appointed corporate advisor to the Company in 2012 as part of the Initial Public Offering. During 2013, Avitus was paid \$44,000 in relation to the successful listing of the Company. During the current year, Avitus was paid other consultancy fees (not provided by Mr Pawlowitsch) of \$1,260 (2013: \$20,135).

During the year, the Company leased office space for \$31,404 (2013: \$13,015) and paid shared expenses of \$21,000 (2013: \$11,758) charged by Ventnor Resources Limited, a company in which Mr Peter Pawlowitsch is a director.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

20. Related Party Transactions (Cont.)

During the year, the Company acquired African Mining Capital 3 Pty Ltd from African Mining Capital Pty Ltd by the issue of 14,000,000 ordinary fully paid shares and 10,500,000 options exercisable at 25 cents each, expiring 7 August 2015. Of the consideration, 450,000 shares and 525,000 options were issued directly to a third party as a consulting fee for introducing the Company to African Mining Capital Pty Ltd. African Mining Capital Pty Ltd received 13,550,000 shares and 9,975,000 options of the consideration. Mr Brandon Munro, a director of the Company is also a director of African Mining Capital Pty Ltd. In October 2012, as part of the original agreement with African Mining Capital Pty Ltd, the Company subscribed to \$200,000 in shares of African Mining Capital Pty Ltd.

21. Parent Entity Disclosures

(a) Summary financial information

	Parent	
	2014	2013
	\$	\$
Financial Position		
Assets		
Current assets	885,468	1,800,964
Non-current asset	3,928,833	1,497,344
Total assets	4,814,301	3,298,308
Liabilities		
Current liabilities	46,973	252,041
Total liabilities	46,973	252,041
Equity		
Contributed equity	6,254,438	2,874,438
Reserves	1,447,721	988,850
Accumulated losses	(2,934,831)	(817,021)
Total equity	4,767,328	3,046,267
Financial Performance		
Loss for the year	(2,117,810)	(470,013)
Other comprehensive income	-	-
Total comprehensive income	(2,117,810)	(470,013)

b) Guarantees

Kunene Resources Limited has not entered into any guarantees in relation to the debts of its subsidiary.

c) Other Commitments and Contingencies

Kunene Resources Limited has no commitments to acquire property, plant and equipment, and has no contingent liabilities apart from the amounts disclosed in note 17.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. Financial Risk Management

The Consolidated entity's principal financial instruments comprise receivables, payables, cash and short-term deposits. The Consolidated entity manages its exposure to key financial risks in accordance with the Consolidated entity's financial risk management policy. The objective of the policy is to support the delivery of the Consolidated entity's financial targets while protecting future financial security.

The main risks arising from the Consolidated entity's financial instruments are interest rate risk, credit risk and liquidity risk. The Consolidated entity does not speculate in the trading of derivative instruments. The Consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analysis of and monitoring of receivables are undertaken to manage credit risk, liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Board. The Board reviews and agrees policies for managing each of the risks identified below, including for interest rate risk, credit allowances and cash flow forecast projections.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

Risk Exposures and Responses

Interest rate risk

The Consolidated entity's exposure to risks of changes in market interest rates relates primarily to the Consolidated entity's cash balances. The Consolidated entity constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative financing positions and the mix of fixed and variable interest rates. As the company has no interest bearing borrowings its exposure to interest rate movements is limited to the amount of interest income it can potentially earn on surplus cash deposits.

As at reporting date, the Consolidated entity had the following financial assets exposed to variable interest rates that are not designated in cash flow hedges:

	Consolidated	
	2014 \$	2013 \$
<i>Financial Assets</i>		
Cash and cash equivalents (interest-bearing accounts)	1,272,212	1,788,585
Net exposure	1,272,212	1,788,585

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated

2014	2013
\$	\$

22. Financial Risk Management (Cont.)

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity relating to financial assets of the Consolidated entity would have been affected as follows:

Judgements of reasonably possible movements:

Post tax profit – higher / (lower)

+ 0.5%	6,361	8,943
- 0.5%	(6,361)	(8,943)

Equity – higher / (lower)

+ 0.5%	6,361	8,943
- 0.5%	(6,361)	(8,943)

Liquidity Risk

The Consolidated entity has no significant exposure to liquidity risk as there is effectively no debt. The Consolidated entity manages liquidity risk by monitoring immediate and forecast cash requirements and ensuring adequate cash reserves are maintained.

Credit risk

Credit risk arises from the financial assets of the Consolidated entity, which comprise deposits with banks and trade and other receivables. The Consolidated entity's exposure to credit risk arises from potential default of the counter party, with the maximum exposure equal to the carrying amount of these instruments. The carrying amount of financial assets included in the statement of financial position represents the Consolidated entity's maximum exposure to credit risk in relation to those assets.

The Consolidated entity does not hold any credit derivatives to offset its credit exposure.

The Consolidated entity trades only with recognised, credit worthy third parties and as such collateral is not requested nor is it the Consolidated entity's policy to secure its trade and other receivables.

Receivable balances are monitored on an ongoing basis with the result that the Consolidated entity does not have a significant exposure to bad debts.

The Consolidated entity's cash deposits are held with a major Australian banking institution with a credit rating of AA- otherwise, there are no significant concentrations of credit risk within the Consolidated entity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

22. Financial Risk Management (Cont.)

The following table details the expected maturity of the Group's financial assets and liabilities based on the earliest date of maturity or payment respectively. The amounts are stated on an undiscounted basis and include interest.

Consolidated	Weighted average effective interest rate %	Less than 1 month \$	1 – 3 Months \$	3 months – 1 year \$	1 – 5 years \$
2014					
<i>Financial Assets:</i>					
Non-interest bearing	-	97,372	-	-	-
Variable interest rate	2.25	1,272,212	-	-	20,000
Fixed interest rate	-	-	-	-	-
		1,369,584	-	-	20,000
<i>Financial Liabilities:</i>					
Non-interest bearing	-	461,798	-	-	-
		461,798	-	-	-
2013					
<i>Financial Assets:</i>					
Non-interest bearing	-	14,787	-	-	20,000
Variable interest rate	4.00	1,788,585	-	-	-
Fixed interest rate	-	-	-	-	-
		1,803,372	-	-	20,000
<i>Financial Liabilities:</i>					
Non-interest bearing	-	252,127	-	-	-
		252,127	-	-	-

Capital Management Risk

Management controls the capital of the Consolidated entity in order to maximise the return to shareholders and ensure that the Group can fund its operations and continue as a going concern.

Management effectively manages the Group's capital by assessing the Consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of expenditure and debt levels and share and option issues.

The Group has no external loan debt facilities other than trade payables.

Commodity Price and Foreign Currency Risk

The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified in the statement of financial position either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The price risk for the unlisted securities is immaterial in terms of the possible impact on profit or loss or total equity, and has therefore not been included in the sensitivity analysis. The Group's exposure to currency risk is minimal given the Consolidated entity is still in the exploration phase.

Fair Value

The methods of estimating fair value are outlined in the relevant notes to the financial statements. All financial assets and liabilities recognised in the statement of financial position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair values.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014**

Consolidated

2014
\$

2013
\$

23. Share Based Payments

(a) Value of share based payments in the financial statements

Share based payments expensed-directors	185,871	-
Share based payments for acquisition of assets	273,000	-
	458,871	-

(b) Summary of share-based payments

No shares were issued as share based payments during the year.

Set out below are the summaries of options granted as share based payments:

Grant Date	Expiry Date	Exercise Price	Balance 01/07/13	Granted during the year	Exercised during the year	Expired or Change due to Resignation	Balance 30/06/14	Number vested and exercisable
8/02/2012	7/08/2015	\$0.25	3,100,000	-	-	-	3,100,000	3,100,000
28/02/2012	7/08/2015	\$0.25	50,000	-	-	-	50,000	50,000
26/06/2012	7/08/2015	\$0.25	4,000,000	-	-	-	4,000,000	4,000,000
23/10/2013	7/08/2015	\$0.25	-	10,500,000	##	-	10,500,000	10,500,000
23/10/2013	15/09/2016	\$0.40	-	2,100,000	-	-	2,100,000	2,100,000
			7,150,000	12,600,000	-	-	19,750,000	19,750,000

Weighted average exercise price \$0.25 \$0.275 - - \$0.27 \$0.27

- Listed options were valued at market price on grant date

Grant Date	Expiry Date	Exercise Price	Balance 01/07/12	Granted during the year	Exercised during the year	Expired or Change due to Resignation	Balance 30/06/13	Number vested and exercisable
8/02/2012	7/08/2015	\$0.25	3,100,000	-	-	-	3,100,000	3,100,000
28/02/2012	7/08/2015	\$0.25	50,000	-	-	-	50,000	50,000
26/06/2012	7/08/2015	\$0.25	4,000,000	-	-	-	4,000,000	4,000,000
			7,150,000	-	-	-	7,150,000	7,150,000

Weighted average exercise price \$0.25 - - - \$0.25 \$0.25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

23. Share Based Payments (Cont.)

The assessed fair values of the unlisted options was determined using a binomial option pricing model or black-scholes model, taking into account the exercise price, term of option, the share price at grant date and expected price volatility of the underlying share, expected yield and the risk-free interest rate for the term of the option. The inputs to the model used were:

Grant date	8/02/2012	28/02/2012	26/06/2012	23/10/2013
Dividend yield (%)	-	-	-	-
Expected volatility (%)	140%	140%	140%	110%
Risk-free interest rate (%)	3.53%	3.71%	3.71%	3.06%
Expected life of options (years)	3.50	3.45	3.12	3.00
Underlying share price (\$)	\$0.10	\$0.10	\$0.20	\$0.17
Option exercise price (\$)	\$0.25	\$0.25	\$0.25	\$0.40
Value of option (\$)	\$0.0725	\$0.0720	\$0.1595	\$0.08851

(c) Weighted average remaining contractual life

The weighted average remaining contractual life of share-based payment options that were outstanding as at 30 June 2014 was 1.222 years (2013: 2.104 years).

(d) Weighted average fair value

The weighted average fair value of share-based payment options granted during 2014 was \$0.03642 (2013: nil) each.

24. Events Subsequent to Year End

There are no other matters or circumstances that have arisen since 30 June 2014 that have or may significantly affect the operations, results, or state of affairs of the company in future financial years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Consolidated

2014	2013
\$	\$

25. Fair Value of Financial Instruments

Recurring fair value measurements

The following financial instruments are subject to recurring fair value measurements:

Available for Sale Financial Assets - Level 3

Investment in African Mining Capital Pty Ltd (unlisted entity)

Value at beginning of year	200,000	-
Additions	-	200,000
Investments written off	(160,000)	-
Value at end of year	40,000	200,000

As at 30 June 2014 Available for Sale Financial Assets included a level 3 investment, being an unlisted equity investment in Africa Mining Capital Pty Ltd with a fair value of \$40,000 (30 June 2013: \$200,000).

At 30 June 2014, the consolidated entity held no significant financial assets or liabilities classified as level 1 or level 2 fair value measurements. There were no transfers between level 1, level 2 or level 3 in the period.

AASB 13 requires that, subsequent to initial recognition, all fair value financial instruments are disclosed by reference to their measurement hierarchy levels:

- Level 1 fair value measurements that are derived from quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 fair value measurements that are derived from inputs other than quoted prices within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 fair value measurements that are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data;

The fair values of the Level 3 investments are individually determined based on the present value of net cash inflows from future profits and subsequent disposal of the securities. These net cash inflows are discounted to their present value using a pre-tax discount rate that reflects a current market assessment of the time value of money and the risks specific to the asset. This methodology is unchanged from the comparative period.

Unobservable data inputs are earnings growth factors and the risk adjusted discount rate. Earnings growth factors are estimated based on market information for similar types of companies while the risk adjusted discount rate is modelled such as to reflect the time value of money and the risks specific to the individual assets.

Fair values of financial instruments not measured at fair value

Due to their short-term nature, the carrying amount of current receivables and current trade and other payables is assumed to approximate their fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

26. *Non-controlling Interests*

The consolidated financial statements include the assets, liabilities and results of the principal subsidiaries listed in note 20(a), in accordance with the accounting policy described in note 1(d).

The table below sets out the summarised financial information for each subsidiary that has a non-controlling interest that is material to the Group. The amounts disclosed are before any intercompany eliminations.

	Kunene Resources Namibia Pty Ltd
Summarised statement of financial position	2014
Current assets	429,674
Non-current assets	3,672,299
Total assets	4,101,974
Current liabilities	366,077
Non-current liabilities	1,615,844
Total liabilities	1,981,921
Net assets	2,120,053
Accumulated NCI	156,949
Summarised statement of profit or loss and other comprehensive income	
Loss for the period	305,203
Other comprehensive loss	186,610
Total comprehensive loss	491,813
Losses allocated to NCI	15,260
Summarised cash flows	
Cash flows from operating activities	(474,598)
Cash flows from investing activities	808,771
Cash flows from financing activities	-
Net increase in cash and cash equivalents	334,173
Transactions with non-controlling interests	
Carrying amount of non-controlling interest acquired	141,688

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

27. *New Accounting Standards for Application in Future Periods*

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

Reference	Title	Summary	Impact on Group's financial report	Application date for Group
AASB 9	Financial Instruments	AASB 9 AAB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. Since December 2013, it also sets out new rules for hedge accounting.	The Group has considered these standards and determined that there is no impact on the Groups financial statements.	1 July 2017
IFRS 15 (issued June 2014)	Revenue from contracts with customers	An entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This means that revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently the case under IAS 18 Revenue.	Due to the recent release of this standard the company has not yet made an assessment of the impact of this standard.	1 July 2017

DIRECTORS' DECLARATION

The Directors' of the Company declare that:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, and:
 - (i) comply with Accounting Standards, *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) give a true and fair view of the financial position of the Company as at 30 June 2014 and of its performance for the financial year ended on that date.
2. The Chief Executive Officer and Chief Financial Officer equivalents of the Company declare that:
 - (i) the financial records of the Company for the period have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
 - (ii) the financial statements and notes for the period comply with the accounting standards; and
 - (iii) the financial statements and notes for the period give a true and fair view.
3. The Company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board.
4. In the opinion of the directors' there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



Philip Werrett
Chairman

Perth, 30 September 2014

INDEPENDENT AUDITOR'S REPORT

To the members of Kunene Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Kunene Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(d), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Kunene Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Kunene Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(d).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Kunene Resources Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.



BDO Audit (WA) Pty Ltd
Peter Toll
Director

Perth, 30 September 2014

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF KUNENE RESOURCES LIMITED

As lead auditor of Kunene Resources Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Kunene Resources Limited and the entities it controlled during the period.



Peter Toll
Director

BDO Audit (WA) Pty Ltd
Perth, 30 September 2014

SECURITIES EXCHANGE INFORMATION

HOLDINGS AS AT 26 SEPTEMBER 2014

Number of Securities Held	FULLY PAID SHARES		LISTED OPTIONS	
	No. of Holders	No. of Shares	No. of Holders	No. of Options
1 to 1,000	1	2	0	0
1,001 to 5,000	5	21,000	47	228,635
5,001 to 10,000	105	1,040,425	22	175,750
10,001 to 100,000	160	6,544,127	109	4,171,250
100,001 and over	53	30,894,446	40	19,824,365
Total Number of Holders	324	38,500,000	218	24,400,000
Number of holders of less than a marketable parcel	111	1,061,427	198	8,185,416
Percentage of the 20 largest holders		66.49%		66.42%

Substantial Shareholders

The company has been notified of the following substantial shareholdings:

Holders	Number
African Mining Capital Pty Ltd	13,550,000
RPM Super Pty Ltd	3,565,250
Goldbondsuper Pty Ltd	2,143,750

Voting Rights

The Constitution of the company makes the following provision for voting at general meetings:

On a show of hands, every ordinary shareholder present in person, or by proxy, attorney or representative has one vote. On a poll, every shareholder present in person, or by proxy, attorney or representative has one vote for any share held by the shareholder.

SECURITIES EXCHANGE INFORMATION

20 Largest Holders of Securities as at 26 September 2014:

Fully Paid Ordinary Shares		Number	%
1.	AFRICAN MINING CAPITAL PTY LTD	13,550,000	35.19
2.	GOLDBONDSUPER PTY LTD	2,083,750	5.41
3.	RPM SUPER PTY LTD <RPM SUPER FUND A/C>	1,250,000	3.25
4.	GOLDBOND SUPER PTY LTD <GOLDBOND SUPER A/C>	1,000,000	2.60
5.	HAVEN SUPER PTY LTD <HAVEN SUPER FUND A/C>	1,000,000	2.60
6.	GOLDFIRE ENTERPRISES PTY LTD	806,250	2.09
7.	MR SIMON WILLIAM TRITTON <INVESTMENT A/C>	700,000	1.82
8.	ELDON AUSTRALIA PTY LTD	500,000	1.30
9.	MR ROBERT PAUL MARTIN + MRS SUSAN PAMELA MARTIN <RP & SP SUPER FUND A/C>	500,000	1.30
10.	NORTHMEAD HOLDINGS PTY LTD	500,000	1.30
11.	PLASIA PTY LTD	500,000	1.30
12.	VAULT (WA) PTY LTD <VAULT A/C>	500,000	1.30
13.	KERNOW TRADING PTY LTD <COHIBA A/C>	450,000	1.17
14.	MR GEORGE DRIKAS	449,875	1.17
15.	GOLDFIRE ENTERPRISES PTY LTD	400,000	1.04
16.	GECKO RESOURCES PTY LTD	351,465	0.91
17.	RPM SUPER PTY LTD <RPM SUPER FUND A/C>	300,000	0.78
18.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	252,987	0.66
19.	ELDON AUSTRALIA PTY LTD	250,000	0.65
20.	RISTOVSKI NOMINEES PTY LTD <RISTOVSKI S/FUND NO 2 A/C>	250,000	0.65
		25,594,327	66.49

Listed Options		Number	%
1.	FQM EXPLORATION HOLDINGS LTD	5,000,000	20.49
2.	VAULT (WA) PTY LTD <VAULT A/C>	1,750,000	7.17
3.	MR DANIEL PETER SCHWANN	1,150,000	4.71
4.	RPM SUPER PTY LTD <RPM SUPER FUND A/C>	1,119,791	4.59
5.	GOLDBONDSUPER PTY LTD	1,041,875	4.27
6.	MR PHILLIP WERRETT <WERRETT SUPER FUND A/C>	1,000,000	4.10
7.	GOLDBOND SUPER PTY LTD <GOLDBOND SUPER A/C>	994,793	4.08
8.	HAVEN SUPER PTY LTD <HAVEN SUPER FUND A/C>	500,000	2.05
9.	GOLDFIRE ENTERPRISES PTY LTD	403,125	1.65
10.	PAMPLONA CAPITAL PTY LTD	400,000	1.64
11.	MR SIMON WILLIAM TRITTON <INVESTMENT A/C>	350,000	1.43
12.	MRS KATHERINE JANE ZOLLO	345,000	1.41
13.	MR DAVID PETER VALENTINO	320,000	1.31
14.	PLASIA PTY LTD	300,000	1.23
15.	GEOLOGICAL RESOURCE SOLUTIONS PTY LTD	290,000	1.19
16.	BLIGH RESOURCES LIMITED	250,000	1.02
17.	MR SIMON COXHELL	250,000	1.02
18.	ELDON AUSTRALIA PTY LTD	250,000	1.02
19.	MS ANNA LUCETTE LANE + MR BRUCE JAMES LANE <OSCELLA FAMILY ACCOUNT>	250,000	1.02
20.	MR ROBERT PAUL MARTIN + MRS SUSAN PAMELA MARTIN <RP & SP SUPER FUND A/C>	250,000	1.02
		16,214,584	66.42

SECURITIES EXCHANGE INFORMATION

Unlisted Options

Details of unlisted option holders are as follows:

Class of unlisted options	Number of Options	Number of Holders
Options exercisable at 25 cents each on or before 07 August 2015	10,500,000	2
Holdings of more than 20% of this class		
- African Mining Capital Pty Ltd	9,975,000	

Restricted Securities

The company has the following restricted securities on issue as at the date of this report:

- 14,000,000 ordinary fully paid shares held in escrow until 4 November 2014; and
- 10,500,000 options exercisable at 25 cents each on or before 07 August 2015 held in escrow until 4 November 2014.

On-market Buy-back

Currently there is no on-market buy-back of the Company's securities.

Consistency with business objectives

The company has used its cash and assets in a form readily convertible to cash that it had at the time of listing in a way consistent with its stated business objectives.

INTERESTS IN MINING TENEMENTS

WESTERN AUSTRALIA

Currans Well Tenements

Tenement	Status	Holder / Applicant	Interest (%)
P57/1261	Granted	Curran Resources Pty Ltd	100
P57/1262	Granted	Curran Resources Pty Ltd	100
P57/1263	Granted	Curran Resources Pty Ltd	100
P57/1264	Granted	Curran Resources Pty Ltd	100
P57/1265	Granted	Curran Resources Pty Ltd	100
P57/1266	Granted	Curran Resources Pty Ltd	100

NAMIBIA

Tenement	Status	Holder / Applicant	Interest (%)
4346	Granted	Kunene Resources Namibia	95
4347	Granted	Kunene Resources Namibia	95
4348	Granted	Kunene Resources Namibia	95
4349	Granted	Kunene Resources Namibia	95
4350	Granted	Kunene Resources Namibia	95
4351	Granted	Kunene Resources Namibia	95
4540	Granted	Kunene Resources Namibia	95