

Secures funded exploration licence in Iberian Pyrite Belt, Portugal

Highlights:

- KNE received 576 km² exploration licence in Portugal in Iberian Pyrite Belt (**Alcoutim Project**)
 - On Neves-Corvo-trend 60km from Lundin's Neves Corvo mine
 - Prospective for copper-zinc-lead-tin-gold
 - Historical mining on licence area
 - Expenditure commitment of E1.2m over 3 years
- KNE entered into Joint Venture agreement with private funding partner to fund exploration on Alcoutim
 - Funding partner earns-in on following terms:
 - Funding partner committed to meet first year exploration commitment
 - right to fund €1.2m for 51% of project,
 - right to fund a further €1.2m for total of 80% of project.
 - Joint Venture subject to formal documentation and restricted financial/legal due diligence, to be completed by 14 November.
- Iberian Pyrite Belt one of most prolific base metal provinces in the world
 - Several world class mines including Rio Tinto
- Portugal favourable mining jurisdiction
 - Strong rule of law/EU member
 - Government policy to encourage mining
- KNE maintains very low cash burn
 - All Kaoko Project costs paid by JV with First Quantum
 - All Alcoutim Project costs to be paid by funding partner under JV (subject to completion)



FAST FACTS

Capital Structure

Shares on Issue: 38.5 million

Market Cap @ 4c \$1.54 million

Cash on hand \$0.81 million

(30 September 2014)

Corporate Directory

Directors

Philip Werrett

Peter Pawlowitsch

Mike Leech

Managing Director

Brandon Munro

Company Secretary

Ian Hobson

Company Highlights

Mineral exploration for precious and base metals in Namibia.

Contact Details

Place of Business

Level 1, 6 Thelma Street

West Perth 6005

Website

www.kuneneresources.com

ASX Code: KNE

ABN 36 155 396 893

KNE secures Alcouthim exploration licence in Iberian Pyrite Belt, Portugal

The Company, through its wholly owned subsidiary Bolt Resources (Pty) Ltd, applied for the Alcouthim exploration concession in Portugal in 2013. The licence has been granted for a period of 3 years, extendable by a further two periods of 1 year each.

The Alcouthim Project is a 576 km² exploration licence in southern Portugal covering part of the Iberian Pyrite Belt (see Figure 1 below). The Iberian Pyrite Belt is one of the largest Volcanogenic Massive Sulphide (VMS) provinces in the world with over 250 copper deposits. Its deposits principally comprise polymetallic Cu-Zn-Pb-sulphide ore of chalcopyrite, sphalerite and galena, with significant tin, silver and gold credits.

The Alcouthim Project is located in the southern zone of the IPB along the Neves-Corvo-trend which hosts the Neves-Corvo deposit. Previous exploration by Billiton, Rio Tinto and Somincor has documented folded flysch units overlying the prospective stratigraphy. Thus, the work program will need to locate deposits under the younger cover rocks. Systematic review of the historic data has confirmed the potential of the Alcouthim Project to host large Cu (Pb-Zn-Sn-Au) VMS deposits.

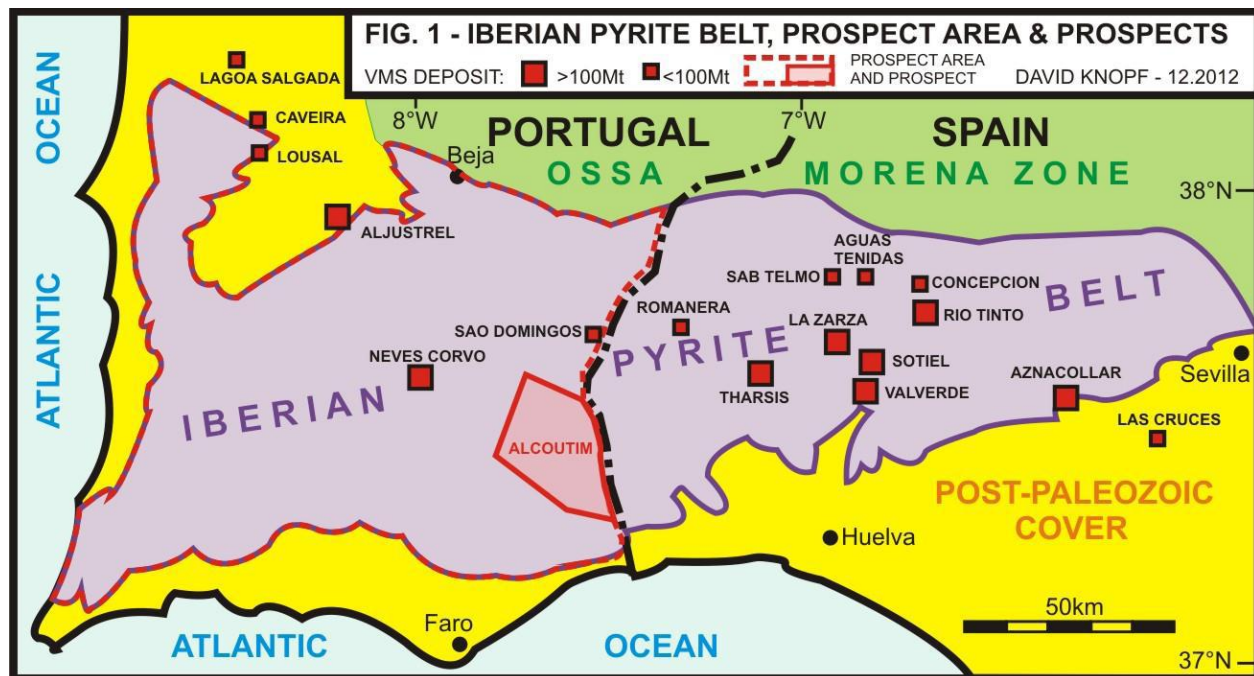


Figure 1: Alcouthim Project shown relative to world class deposits in the Iberian Pyrite Belt

Positive geological attributes of the licence include the following:

- ✓ Prospective Lithology: The Volcano-Sedimentary Sequence, regionally hosting all VMS deposits, is locally outcropping near Alcouthim and was intersected in boreholes on the license area.
- ✓ Right Position & Structure: Alcouthim is situated on the Neves-Corvo-trend on the Rosario-Neves antiform.
- ✓ Several historic Mn-, Cu- and Sb-mines on the licence area.

The Alcoutim license contains a large-scale regional magnetic anomaly of 12 km x 6 km likely reflecting massive mafic intrusions which are known in other portions of the belt to be associated with massive sulphide mineralisation. This untested target is directly situated along the Neves-Corvo-trend, 60 km SE of Neves Corvo.

Approximately 10,000 m of diamond drilling was historically completed on the Alcoutim licence area, for which most of the drill core is available for inspection. However, none of the historical drilling concepts were designed to test the magnetic anomaly referred to above.

Portugal is a European Union member state with a strong rule of law, excellent infrastructure and a long history of mining. In recent years Portugal has introduced progressive laws and policies designed to stimulate the economy through encouraging mining activity.

KNE obtains funding for Alcoutim

KNE has signed a Joint Venture Agreement with a private funding partner (the “**Funding Partner**”) by which the Funding Partner will fund the Alcoutim Project. The Funding Partner is a member of a diversified Southern African mining and services group with substantial drilling, mining and mineral processing capability. In light of the group’s substantial drilling business, it is envisaged that a substantial component of the funding under the project will be undertaken by providing in-kind drilling services.

Under the agreement, the Funding Partner will fund the Alcoutim Project on the following terms:

- (a) The Funding Partner is committed to funding a minimum of €267,500, an amount sufficient to meet the first year’s expenditure obligations and related costs;
- (b) In return for funding a total of €1.2 million, the Funding partner receives 51% of the Alcoutim Project. Should the Funding Partner decide not to fund the full €1.2 million, the project will revert to being 100% owned by KNE;
- (c) The Funding Partner has the option to fund a further €1.2 million (for a total of €2.4 million) which will take its ownership of the Alcoutim Project to 80%.

The agreement, and the Funding Partner’s obligations above, is subject to completion of a Shareholders Agreement and the Funding Partner completing a restricted legal and financial due diligence by 14 November 2014;

KNE will be responsible for oversight of the project, with appropriate in-country resources to be appointed by the joint venture.

Issue of shares to David Knopf

Pursuant to a consulting agreement with consulting Geologist Mr David Knopf, the Company is obliged to issue Mr Knopf €10,000 (A\$14,526) in KNE shares upon signing of the Alcoutim exploration licence, in recognition of the role played by Mr Knopf in securing the licence. Attached is an Appendix 3B for the issue of 403,500 KNE shares to Mr Knopf.

KNE low cash burn

As all project related expenses at both the Kaoko Project and Alcoutim Project are met by joint venture funding, the Company is still exposed to significant exploration success.

For further enquiries please contact:

Peter Pawlowitsch +61 (0) 419 299 302

Competent Person Statement

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

About Kunene Resources Limited

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

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

Kaoko Project highlights:

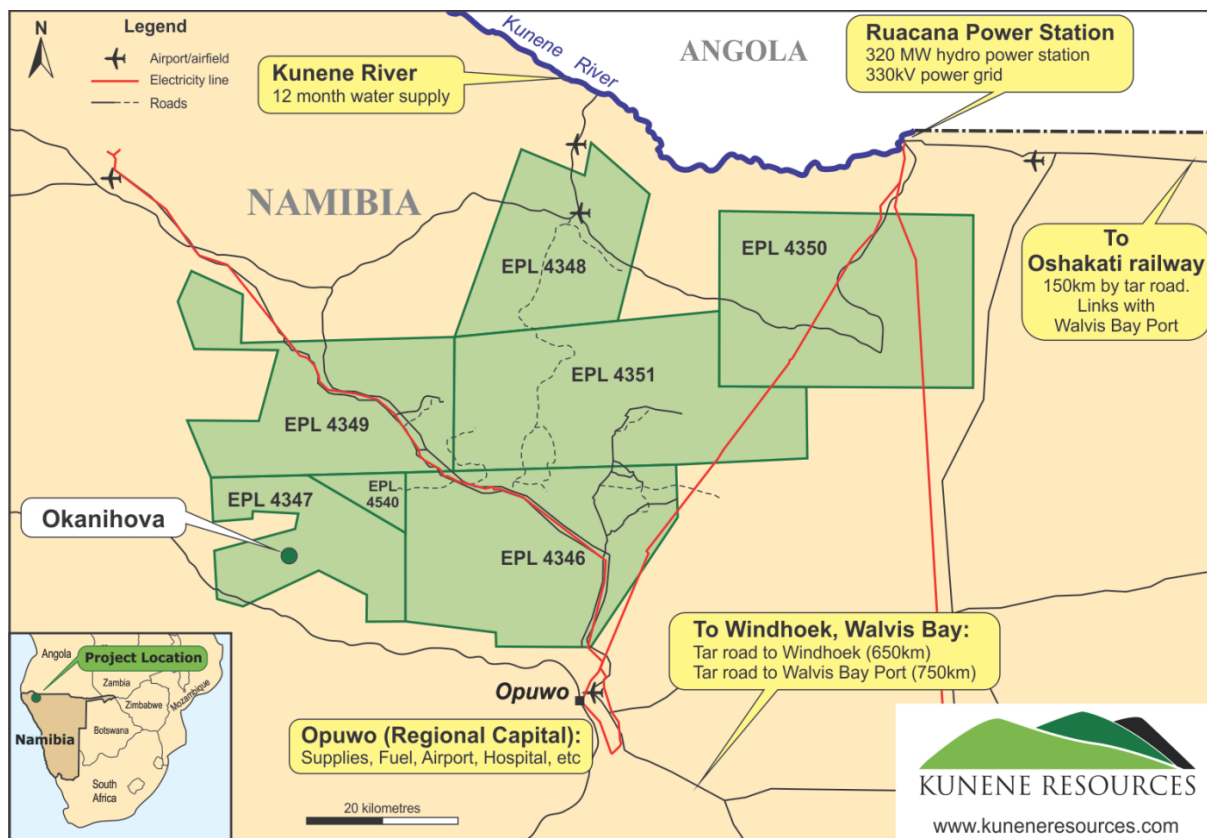
- ✓ 95% owned by Kunene Resources (5% owned by local partner, The Namibian Former Robben Island Political Prisoners Trust)
- ✓ seven exploration licences, total area of 3,478km²
- ✓ emerging minerals province with similar geology to the Central African Copperbelt
- ✓ prospective for copper and other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

Infrastructure ready for development

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

About Namibia

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



Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12

Name of entity

KUNENE RESOURCES LIMITED

ABN

36 155 396 893

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|-------------------------|
| 1 | +Class of +securities issued or to be issued | Ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 403,500 ordinary shares |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Ordinary shares |

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	Yes
5	Issue price or consideration	\$0.036
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	Consulting fee
6a	<p>Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A?</p> <p>If Yes, complete sections 6b – 6h <i>in relation to the +securities the subject of this Appendix 3B</i>, and comply with section 6i</p>	Yes
6b	The date the security holder resolution under rule 7.1A was passed	29 November 2013
6c	Number of +securities issued without security holder approval under rule 7.1	403,500
6d	Number of +securities issued with security holder approval under rule 7.1A	N/a

+ See chapter 19 for defined terms.

6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	N/a	
6f	Number of securities issued under an exception in rule 7.2	N/a	
6g	If securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the issue date and both values. Include the source of the VWAP calculation.	N/a	
6h	If securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/a	
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	7.1: 5,371,500 7.1A: 3,850,000	
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	7 October 2014	
8	Number and +class of all +securities quoted on ASX (including the securities in section 2 if applicable)	Number	+Class
		24,903,500	Ordinary Shares
		17,250,000	Options exercisable at \$0.25, expiring 7 August 2015

+ See chapter 19 for defined terms.

Appendix 3B
New issue announcement

	Number	+Class
9	Number and +class of all +securities not quoted on ASX (including the securities in section 2 if applicable)	7,150,000
		Options exercisable at 25 cents expiring 7 August 2015
		14,000,000
		Ordinary shares escrowed to 4 November 2014
		10,500,000
		Options exercisable at \$0.25, expiring 7 August 2015 escrowed to 4 November 2014
		2,100,000
		Unlisted options exercisable at \$0.40, expiring 15 September 2016
		1,000,000
		Convertible Loan Notes with a face value of \$1 each.
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	n/a

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	

+ See chapter 19 for defined terms.

18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	
20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺ security holders	
25	If the issue is contingent on ⁺ security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do ⁺ security holders sell their entitlements <i>in full</i> through a broker?	

+ See chapter 19 for defined terms.

Appendix 3B

New issue announcement

31 How do ⁺security holders sell part of their entitlements through a broker and accept for the balance?

32 How do ⁺security holders dispose of their entitlements (except by sale through a broker)?

33 ⁺Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) ☒ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the ⁺securities are ⁺equity securities, the names of the 20 largest holders of the additional ⁺securities, and the number and percentage of additional ⁺securities held by those holders

36 ☐ If the ⁺securities are ⁺equity securities, a distribution schedule of the additional ⁺securities setting out the number of holders in the categories

1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional ⁺securities

⁺ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought					
39	Class of +securities for which quotation is sought					
40	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> the date from which they do the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 					
41	<p>Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>					
42	Number and +class of all +securities quoted on ASX (including the securities in clause 38)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%; padding: 5px;">Number</th> <th style="width: 50%; padding: 5px;">+Class</th> </tr> </thead> <tbody> <tr> <td style="height: 100px;"></td> <td></td> </tr> </tbody> </table>	Number	+Class		
Number	+Class					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: 

Date:7 October 2014

Company secretary

Print name:Ian Hobson.....

+ See chapter 19 for defined terms.

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for +eligible entities

Introduced 01/08/12

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
Insert number of fully paid ordinary securities on issue 12 months before date of issue or agreement to issue	24,500,000
Add the following: <ul style="list-style-type: none"> Number of fully paid ordinary securities issued in that 12 month period under an exception in rule 7.2 Number of fully paid ordinary securities issued in that 12 month period with shareholder approval Number of partly paid ordinary securities that became fully paid in that 12 month period <p><i>Note:</i></p> <ul style="list-style-type: none"> Include only ordinary securities here – other classes of equity securities cannot be added Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed It may be useful to set out issues of securities on different dates as separate line items 	14,000,000 (4 November 2013)
Subtract the number of fully paid ordinary securities cancelled during that 12 month period	Nil
“A”	38,500,000

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of “A”	
“B”	0.15 <i>[Note: this value cannot be changed]</i>
Multiply “A” by 0.15	5,775,000
Step 3: Calculate “C”, the amount of placement capacity under rule 7.1 that has already been used	
<p>Insert number of equity securities issued or agreed to be issued in that 12 month period <i>not counting</i> those issued:</p> <ul style="list-style-type: none"> • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 <p>Note:</p> <ul style="list-style-type: none"> • <i>This applies to equity securities, unless specifically excluded – not just ordinary securities</i> • <i>Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed</i> • <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	403,500 (7 October 2014)
“C”	403,500
Step 4: Subtract “C” from [“A” x “B”] to calculate remaining placement capacity under rule 7.1	
<p>“A” x 0.15</p> <p><i>Note: number must be same as shown in Step 2</i></p>	5,775,000
<p>Subtract “C”</p> <p><i>Note: number must be same as shown in Step 3</i></p>	403,500
Total [“A” x 0.15] – “C”	<p>5,371,500</p> <p><i>[Note: this is the remaining placement capacity under rule 7.1]</i></p>

+ See chapter 19 for defined terms.

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate “A”, the base figure from which the placement capacity is calculated	
“A” <i>Note: number must be same as shown in Step 1 of Part 1</i>	38,500,000
Step 2: Calculate 10% of “A”	
“D”	0.10 <i>Note: this value cannot be changed</i>
Multiply “A” by 0.10	3,850,000
Step 3: Calculate “E”, the amount of placement capacity under rule 7.1A that has already been used	
Insert number of equity securities issued or agreed to be issued in that 12 month period under rule 7.1A <i>Notes:</i> <ul style="list-style-type: none"> <i>This applies to equity securities – not just ordinary securities</i> <i>Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed</i> <i>Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained</i> <i>It may be useful to set out issues of securities on different dates as separate line items</i> 	Nil
“E”	Nil

+ See chapter 19 for defined terms.

Step 4: Subtract “E” from [“A” x “D”] to calculate remaining placement capacity under rule 7.1A	
“A” x 0.10 <i>Note: number must be same as shown in Step 2</i>	3,850,000
Subtract “E” <i>Note: number must be same as shown in Step 3</i>	Nil
Total [“A” x 0.10] – “E”	3,850,000 <i>Note: this is the remaining placement capacity under rule 7.1A</i>

+ See chapter 19 for defined terms.