

7 January 2015

Copper mineralisation confirmed in drilling at Okanihova Prospect, Namibia



- Four diamond boreholes completed for a total of 1,066m since October
- Chalcopyrite (copper sulphide) mineralisation identified in all boreholes,
 - Confirmation of the same style of mineralisation identified in two targets 3km apart
 - Mineralisation away from Okanihova outcrop confirms regional scale potential of lineament
- Borehole logging confirms prospectivity of Okanihova lineament:
 - Logging shows clearly that **pyrrhotite and chalcopyrite are cogenetic**
- Large number of remanent magnetic anomalies along 16km strike of Okanihova lineament and similar remanent magnetic anomalies in other structural and geochemical settings to be tested in 2015
 - Remanent magnetism shown to be caused by pyrrhotite, implying prospectivity for chalcopyrite elsewhere on Okanihova lineament

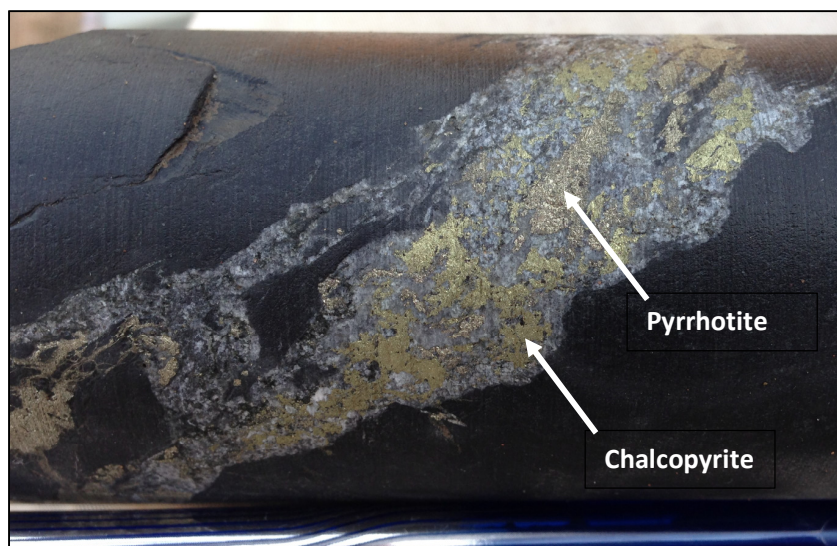


Figure 1: Drillcore from borehole KHD07 at depth of 257m showing cogenetic relationship of pyrrhotite (iron sulphide) and chalcopyrite (copper sulphide)

FAST FACTS

Capital Structure

Shares on Issue: 38.9 million

Market Cap @6.5c \$2.46 million

Cash on hand \$0.85 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

Drilling update at Okanihova, Kaoko Project, Namibia

On 31 October 2014 the Company announced the commencement of drilling at the Company's Okanihova copper target to test Induced Polarisation (IP) anomalies identified at Okanihova SW1 target and Okanihova outcrop. The program was wound up for the Christmas break after completion of four diamond holes for a total of 1,066m. The recommencement and nature of drilling in 2015 will be determined in consultation with First Quantum Minerals.

Core logging has been completed. Core splitting and sample preparation will commence in January 2015.

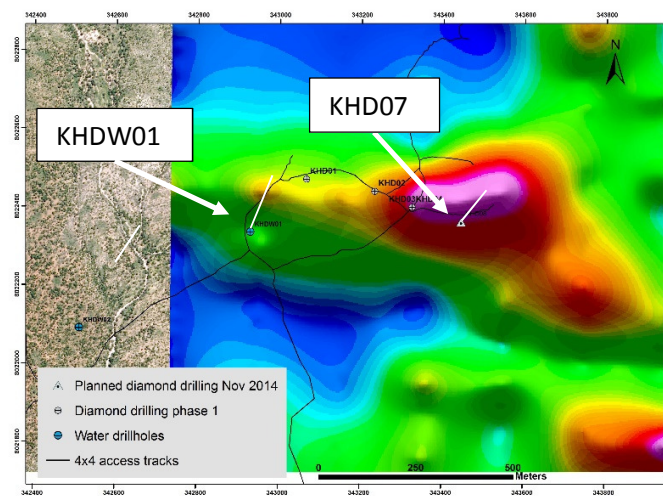


Figure 2 - Okanihova outcrop target: chargeability at 850m depth slice (approx. 150m below surface)

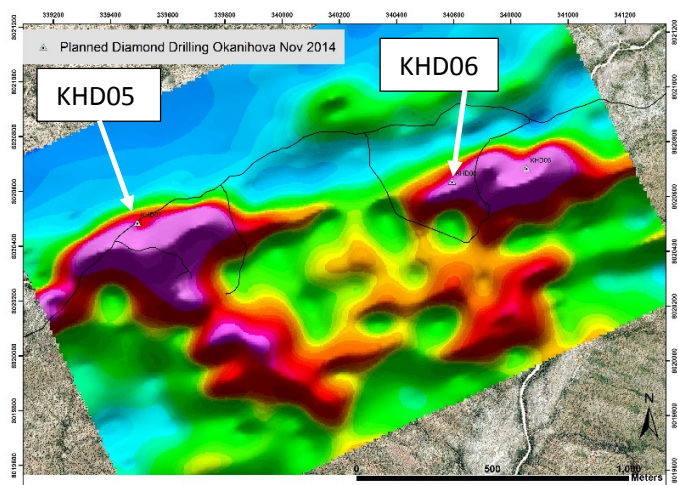


Figure 3 - Okanihova SW1 boreholes (shown on chargeability 950m depth slice (approx. 50m below surface))

Diamond borehole KHDW01

Diamond borehole KHDW01 is a water borehole drilled in late 2013 to a depth of 89m. It was extended to 343m to improve the water supply and to provide geological information on the remanent magnetic anomaly to the west of Okanihova outcrop. The borehole also passed through the outer zone of the IP anomaly near Okanihova outcrop (see Figure 2). Moderate visible sulphides were observed in the core (predominantly pyrrhotite with some chalcopyrite and pyrite).

Diamond borehole KHD05

Diamond borehole KHD05 was drilled to a depth of 222m to test a chargeability anomaly that correlates with weak copper in soil results, but no remanent magnetic anomaly (see Figure 3). Moderate visible sulphides were observed in the core (predominantly pyrite with minor chalcopyrite and no pyrrhotite), indicating that pyrite was the cause of the chargeability anomaly.

Diamond borehole KHD06

Diamond borehole KHD06 was drilled to a depth of 252m to test a chargeability anomaly that correlates with both copper in soil results and a remanent magnetic anomaly (See Figure 3). Moderate visible sulphides were observed in the core (predominantly pyrrhotite with minor chalcopyrite and pyrite),

indicating that pyrite was the predominant cause of the chargeability anomaly and pyrrhotite was the cause of the remanent magnetic anomaly.

Planned borehole KHD07 was also sited to test this anomaly under a major copper soil anomaly, however this borehole site can only be accessed with a track mounted rig, thus had to be deferred.

Diamond borehole KHD07 (planned borehole KHD08)

Diamond borehole KHD07 (planned as KHD08) was drilled to a depth of 341m to test an intense IP anomaly to the east of Okanihova outcrop (see Figure 2) which correlated with a remanent magnetic anomaly. Several percent of visible sulphides were observed in the core in multiple zones. Zone 1 (from 70m to 82m) was predominantly pyrite with minor chalcopyrite. Zone 2 (from 92m to 104m) comprised similar chalcopyrite, pyrite and pyrrhotite. Zone 3 (from 104m to 112m) was predominantly pyrite with minor chalcopyrite and pyrrhotite. Zone 4 (from 112m to 121m) was predominantly pyrrhotite and pyrite with minor chalcopyrite. It was concluded that pyrrhotite was the cause of the remanent magnetic anomaly and the combination of the three sulphide minerals the cause of the intense IP anomaly.

Confirmation of sulphides causing remanent magnetism

Data from boreholes KHDW01, KHD06 and KHD07 has shown that the remanent magnetic anomaly to the west of Okanihova outcrop (see Figure 3) is caused by pyrrhotite and not magnetite. This is a significant development as pyrrhotite (an iron sulphide) and chalcopyrite (a copper sulphide) have been observed from drill core to be cogenetic (ie formed in the same hydrothermal mineralisation process) (see Figure 1).

The Okanihova lineament is defined by a number of large remanent magnetic anomalies over a strike length of 16 km, the majority of which is under recent alluvial cover (see Figure 4). The lineament also is a geochemical anomaly in numerous elements including copper. Given the geophysical similarities and the geological model, the remanent magnetism anomalies throughout the Okanihova lineament are likely to be caused by pyrrhotite, underlining the prospectivity of this untested regional tectonic structure.

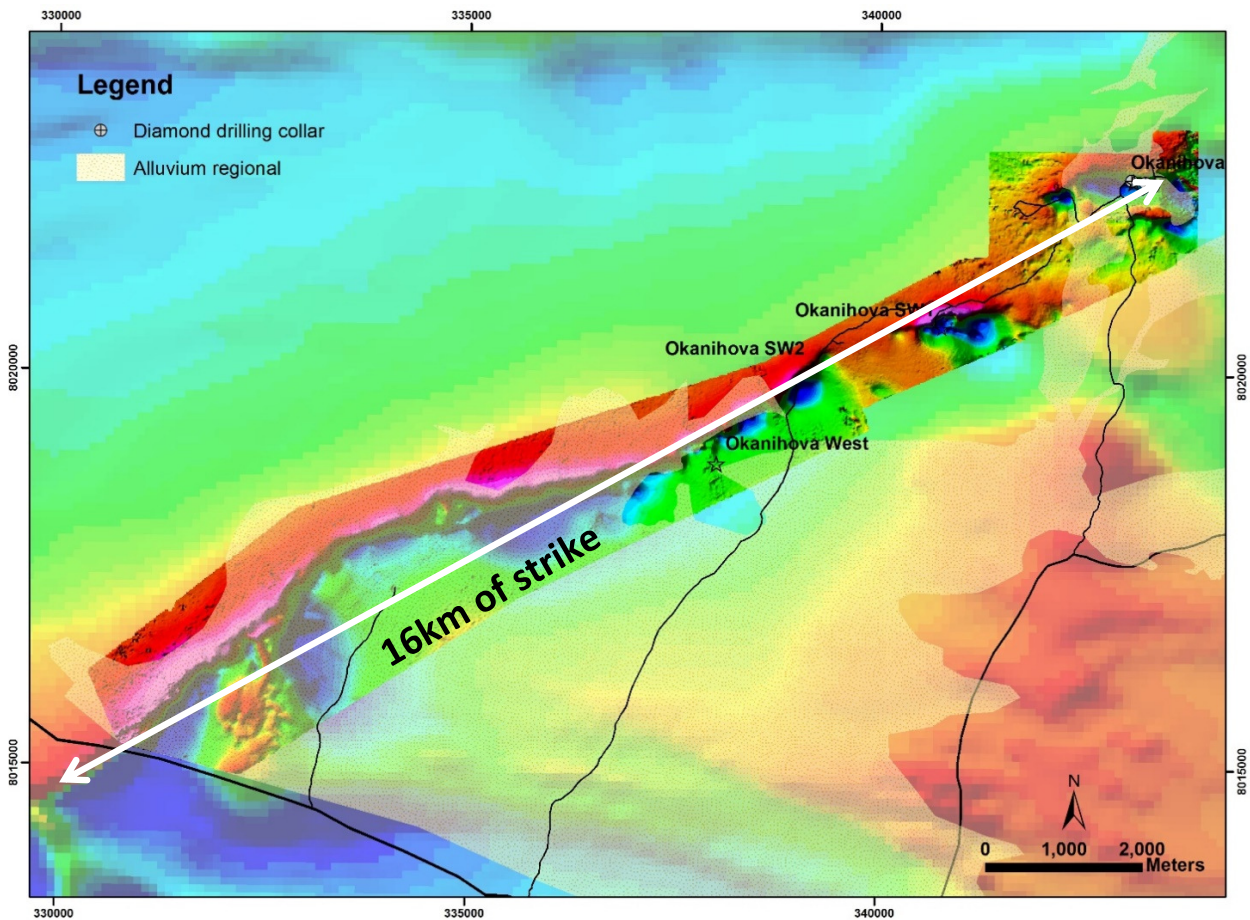


Figure 4: Okanihova lineament (ground magnetics on airborne magnetics) showing alluvium

For further enquiries please contact:

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Competent Person Statement

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

Table 1: JORC 2012 disclosures on sampling techniques and data

Section 1: Sampling Techniques and Data		
Criteria	JORC Code Explanation	Commentary
Sampling Technique	<i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as downhole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling</i>	Between October and December 2014, exploration at Okanihova (EPL 4347) is sampled by 4 diamond drill holes (including extension of KHDW01). Holes were collared at 60 degrees and declinations to optimally intersect zones of interest.
	<i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used. Aspects of the determination of mineralisation that are Material to the Public Report.</i>	The drill hole collar locations are determined by handheld GPS survey with an accuracy of +/- 5 meters. Core samples were logged for lithology, alteration, foliation, veining, weathering and mineralization.
	<i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i>	Diamond core is HQ and NQ size. Sampling will take place in early 2015 only.
Drilling	<i>Drill type (eg core, reverse circulation, open- hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i>	Diamond drilling, both HQ and NQ core size. Core was oriented by drilling contractor.
Drill Sample Recovery	<i>Method of recording and assessing core and chip sample recoveries and results assessed.</i>	Diamond core recoveries are logged and recorded in the database. Overall recoveries are >95%.
	<i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i>	Recoveries are good and there are no significant sample recovery problems.
	<i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i>	Insufficient drilling and geochemical data is available at the present stage to evaluate potential sample bias.
Logging	<i>Whether core and chip samples have been geologically and geotechnical logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i>	Geotechnical logging is being conducted on all diamond drill holes. Information on lithology, mineralisation, dip, dip direction, alpha angle, beta angle, texture, shape, roughness and fill material is stored in the structure/Geotech table of the database.

	<i>Whether logging is qualitative or quantitative in nature. Core (or costean/Trench, channel, etc) photography.</i>	Logging of diamond core recorded lithology, mineralogy, mineralisation, structural, weathering, alteration, colour and other features of the samples.
	<i>The total length and percentage of the relevant intersections logged.</i>	All drillholes are being logged in full to end of hole.
Sub-Sampling Technique and Sample Preparation	<i>If core, whether cut or sawn and whether quarter, half or all core taken.</i>	Core is stored at the Company's premises in Opuwo. Core cutting not yet commenced.
	<i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i>	N/A
	<i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i>	N/A
	<i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i>	N/A
	<i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i>	N/A
	<i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i>	N/A
Quality of Assay Data and Laboratory Tests	<i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i>	N/A
	<i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i>	No geophysical tools were used to determine any element concentrations at this stage.
	<i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i>	N/A

Verification of Sampling and Assaying	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	N/A.
	<i>The use of twinned holes.</i>	No twin holes have been drilled.
	<i>The verification of significant intersections by either independent or alternative company personnel.</i>	N/A
	<i>Discuss any adjustment to assay data</i>	N/A
Location of Data points	<i>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</i>	All drillholes have been located by GPS in UTM grid WGS84 Zone 33 (S). Downhole surveys were completed at the end of every hole where possible using a Reflex Ezitrack EMS downhole survey tool, taking measurements every 30m.
	<i>Specification of the grid system used</i>	The grid system is WGS 84 Z 33(S).
	<i>Quality and adequacy of topographic control</i>	Topographic control is based on GPS
Data Spacing and Distribution	<i>Data spacing for reporting of Exploration Results</i>	Drilling is conducted on a hole by hole basis in areas of outcrop, geochemical anomalism or geophysical targets.
	<i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i>	N/A – no assay results as yet.
	<i>Whether sample compositing has been applied</i>	N/A
Orientation of Data in Relation to Geological Structure	<i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i>	At this early stage and nature of drilling, the orientation is determined to provide initial geological control on key lithologies and potential mineralisation.
	<i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i>	N/A
Sample Security	<i>The measures taken to ensure sample security</i>	Chain of custody is managed by the Company. The drill core is kept in locked premises.
Audits or reviews	<i>The results of any audits or reviews of sampling techniques and data.</i>	No review of the data management system has been carried out.

Section 2 Reporting of Exploration Results

Criteria	JORC Code Explanation	Commentary
Mineral Tenement and Land Tenure Status	<i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i>	<p>The Okanihova target is located wholly within Exclusive Prospecting Licence 4347, which is part of the Company's 95% owned Kaoko Project. The Kaoko Project tenements cover an aggregate area of 3,478 km² (347,800ha), granting the holders the right to explore for base and rare metals, precious metals and precious stones.</p> <p>The tenements are all wholly owned by the Company's 95% owned subsidiary, Kunene Resources Namibia (Pty) Ltd. The tenements are located in government owned communal farmland areas, where no native title issues, historical sites or environmental sensitivities are known to exist.</p>
	<i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i>	The tenements are in good standing with no known impediments.
Exploration Done by Other Parties	<i>Acknowledgment and appraisal of exploration by other parties.</i>	No previous exploration work of any description is known to have taken place in the area on and around the Okanihova target. No previous systematic exploration has been undertaken on any part of EPL 4347.
Geology	<i>Deposit type, geological setting and style of mineralisation.</i>	<p>The copper mineralisation is developed in a sedimentary succession of likely Nosib succession. Arkose quartzitic sandstones and conglomerates of the footwall Nosib Formation are exposed in anticlinal structures to the west and southwest as well as a possible thrust structure in the mountains to the east.</p> <p>The middle Nosib or Ombombo Formation consists of a sequence of finely intercalated siltstones and shales with minor sandstone, marlstone, limestone and dolostone layers. The true thickness cannot be established due to intense shearing and tied folding. The sequence is preliminarily interpreted as equivalents of the local units named by Teck as the Omivelo, or Okohongo Horizons which host mineralisation to the south of the Company's land holding.</p>
Drill Hole Information	<p><i>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:</i></p> <ul style="list-style-type: none"> <i>easting and northing of the drill hole collar</i> <i>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</i> <i>dip and azimuth of the hole</i> <i>down hole length and interception depth</i> <i>hole length</i> <i>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</i> 	Appropriate maps and plans accompany this announcement.

Data Aggregation Methods	<i>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</i>	N/A.
	<i>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</i>	N/A
	<i>The assumptions used for any reporting of metal equivalent values should be clearly stated.</i>	N/A
Relationship Between Mineralisation Widths and Intercept Lengths	<i>These relationships are particularly important in the reporting of Exploration Results. If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported. If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i>	The orientation or geometry of the mineralised zone has not yet been established.
Diagrams	<i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i>	No significant discovery is reported.
Balanced Reporting	<i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</i>	N/A
Other Substantive Exploration Data	<i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i>	Selected geophysical survey results are indicated in the body of the text.
Further Work	<i>The nature and scale of planned further work (eg tests for lateral extensions or large scale step out drilling. Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i>	Future work at Okanihova target and EPL4347 has not been determined, but will likely include additional reconnaissance diamond/RC drilling, infill drilling, geophysical analysis and geochemical surveys.

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.

