

12 November 2015

Department 13 Updated Information:

Information regarding the Capital Raise Price, New Department 13 Corporate Video, Updated Investor Presentation, Share Capital Structure, Addendum to Notice of Meeting and Drone Defense Market Opportunity Example.

Highlights:

- Price Set for the Capital Raise at 10 cents per share
- Capital structure table updated showing price set and performance shares amendments as required by ASX
- Link to updated Department 13 International Ltd. Investor Presentation
- Link to New Department 13 Corporate Video
- Example of Drone Defense Opportunity; US Federal Bureau of Prisons public request for Information

Price Set for the Capital Raise:

The Company is pleased to advise that the price of the planned capital raise by way of a Prospectus as set out in the Company's Notice of Annual General Meeting has been set at 10 cents per share being the price calculated which is a 15% discount to the volume weighted average price over 5 trading days up to and including 10 November 2015.

Updated Department 13 International Ltd. Investor Presentation

An updated Department 13 Presentation can be found at the below link.

<http://www.kuneneresources.com.au/irm/content/presentations.aspx?RID=303>

New Department 13 Corporate Video

The new Department 13 Corporate video can be found at the below link

<http://www.department13.com/department-13-mesmer-platform-introduction>.

Example of Drone Defense Opportunity

The US Federal Bureau of Prisons (BoP) on 4th November 2015 published a Request for Information (RFI) – Protection from Unmanned Air Vehicles. The details on the RFI are set out below as an example of the market opportunity for drone defense systems.

Background and Scope

The Federal Bureau of Prisons (BOP) is an agency of the Department of Justice (DOJ). It consists of 122 institutions throughout the United States, including Hawaii and Puerto Rico; 6 regional offices, a Central Office (headquarters), 2 staff training centers, and 26 Residential Reentry Management offices

(previously known as community corrections offices). More information about the BOP can be found on the BOP's website, www.bop.gov.

The RFI states "Recent advances in unmanned air vehicles have presented a new and evolving threat to the BOP's mission. From small devices of less than a pound that can provide unauthorized imagery and surveillance to larger systems that can carry 20 or more pounds of contraband, these devices represent a new and unprecedented challenge for BOP personnel. The goal of this Request for Information (**RFI**) is to collect information to identify and assess the landscape of technologies and systems that can assist in the BOP's mission by countering, mitigating and/or interdicting the impact and possible nefarious intent of unmanned aerial systems (**UAS**).

Requirements Requested from BOP RFI

The BOP is seeking information to determine whether or not there are qualified sources that will be able to meet the current requirements. The BOP is specifically interested in fully integrated systems that will allow for the detection, tracking, interdiction, engagement and neutralization of small (less than 55 LB total weight) unmanned aerial systems. The applicable integrated system would be capable of:

1. Detection
2. Location/Tracking
3. Identification
4. Classification
5. Threat/No-threat
6. Response
7. Verification
8. Clean up/attribution of UAS

While a complete system that provides all of these capabilities is desirable, the BOP will consider subsystems that only provide one or a few of these capabilities.

The general operational environment of system should contemplate:

1. Mixed use airspace where in both threat and "friendly" drones may be operating
2. Drone performance that consists of:
 - a. Flying altitudes from ground level to 18000 ft
 - b. Velocities from 0 to 100 m/sec
 - c. Highly variable dimensions, but in general less than 4 ft in their maximum dimensions
 - d. Materials ranging from carbon fiber to high density plastic to light metal alloys and others
3. Both commercially-available as well as custom-made UAS
4. Detection ranges of 1 mile with tracking at .75 miles and kill/interdiction as far out as possible
5. Both command operation as well as autonomous functioning
6. Use of GPS

7. Surveillance target is generally isolated in the middle of an open area with limited ground clutter and other interfering sources such as people and RF. There may, however, be roads where vehicular traffic is moving within the zone of interest.

RFI close date is Dec 4th 2015.

Department 13 intends to respond to this RFI and advise the market further in due course.

Capital Structure Table reflecting the price set for the capital raise.

	Current Shares	Proposed Ordinary Shares	Proposed Performance Shares, Rights & Options
Current Shares & Options on issue	43,903,500		2,100,000
Escrowed Option Fee Shares		20,000,000	
Escrowed (Part) Loan Redemption Shares		42,000,000	
Escrowed Vendor & Advisor Ordinary Shares		245,000,000	
Escrowed Vendor & Advisor Performance Shares			284,000,000
Escrowed Options			40,000,000
Escrowed Director Performance Rights			23,750,000
Escrowed Employee Performance Rights Plan			62,500,000
Escrowed Conversion of KNE Directors Debts		4,600,000	
Capital Raising at 10c per share (Max Cap Raise of \$6,000,000)		60,000,000	
Sub Total	43,903,500	371,600,000	412,350,000
Total		415,503,500	827,853,500

ADDENDUM TO NOTICE OF ANNUAL GENERAL MEETING

Kunene Resources Limited (ACN 155 396 893) (**Company**) refers to the Notice of Annual General Meeting dated 27 October 2015 (**Notice**) for its annual general meeting of Shareholders to be held at CWA House, Level 2, 1176 Hay Street West Perth, Western Australia on Monday, 30 November 2015 at 10.00am (WST) (**Meeting**).

Definitions in the Notice have the same meaning in this addendum to the Notice (**Addendum**) unless otherwise stated in this Addendum.

With reference to the Notice, the Company hereby gives notice that the Directors have been required by ASX to amend the terms and conditions of the Performance Shares. Accordingly, approval under Resolutions 4, 5 and 13 includes the approval of Performance Shares on the terms and conditions set out in the replacement Schedule 3 below.

Schedule 3– Terms and Conditions of Performance Shares

For the purpose of these terms and conditions:

ASX means ASX Limited ACN 008 624 691 or, as the context permits, the securities exchange operated by that entity.

Change of Control Event means:

- (a) the occurrence of:
 - (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
 - (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

Commercial Sales means sales by way of licencing, product or service which are cash generative.

Company means Kunene Resources Limited ACN 155 396 893.

D13 means Department 13 LLC, a limited liability company incorporated in Virginia, United States of America.

Drone Defense Products means systems, devices, radio software or protocol manipulation products or services involved in providing a defence to threats posed by unmanned aerial or marine vehicles.

Holder means a holder of a Performance Share.

Listing Rules means the Listing Rules of the ASX.

Share means a fully paid ordinary share in the Company.

Technologies means the technologies set out in Schedule 6 and any improvements, variations or successor inventions thereto.

1. Conversion and expiry of Performance Shares

- (a) **(Conversion on achievement of Milestone)** Upon one of the following milestones being achieved:
- (i) D13 receives more than \$1m in aggregate revenues from commercial sales of Drone Defense products;
 - (ii) D13 receives more than \$1m in aggregate revenues from sales or licencing agreements for any of the Technologies with a National or State Government Agency or significant multinational corporation;
 - (iii) D13 receives more than \$1m in aggregate revenues from sales or licence agreements for any of the Technologies with a supplier to a National or State government agency;
 - (iv) D13 receives more than \$1m in aggregate revenues from joint venture or distribution agreements with a large network or mobile company or a supplier to law enforcement, defense or military;
 - (v) the cumulative value of grants provided to D13 equals or exceeds US\$3m; or
 - (vi) the Company (or a spin off entity of the Company) lists on the NASDAQ, or NYSE Markets stock exchanges,
- and the 20 trading day VWAP of the Company's Shares as traded on ASX equalling or exceeding \$0.05 (the **Milestone**), each Performance Share will convert into a Share on a one for one basis.
- (b) **(Expiry Date)** The Milestone must be achieved on or before 5.00pm (WST) on the date which is three years from the date of issue of the Performance Shares (Expiry Date).
- (c) **(No conversion)** To the extent that Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.
- (d) **(Conversion procedure)** The Company will issue a Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Performance Share.
- (e) **(Ranking of shares)** Each Share into which the Performance Share will convert will upon issue:
- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;

- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emptive rights and any transfer restrictions.

2. **Conversion on change of control**

- (a) If there is a Change of Control Event in relation to the Company prior to the conversion of the Performance Shares, then:
 - (i) the Milestone will be deemed to have been achieved; and
 - (ii) each Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of all Performance Shares due to a Change in Control Event in relation to the Company is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of all Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

3. **Rights attaching to Performance Shares**

- (a) **(Share capital)** Each Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Performance Share confers on a Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Performance Share does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Performance Share does not entitle a Holder to any dividends.
- (e) **(Rights on winding up)** Each Performance Share entitles a Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Performance Share.
- (f) **(Not transferable)** A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.

- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Performance Share does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.