



Kupang Resources^{Ltd}

9 November 2012

ILP SETTLEMENT AGREED & KUPANG PROJECT UPDATE

The Board of Kupang Resources Ltd (ASX: KPR) (**Kupang** or **Company**) is pleased to announce that it has entered into a settlement deed with International Litigation Partners Pte Limited (**ILP**) (**Settlement Deed**).

As announced on 5 October 2012, the High Court of Australia delivered its decision in respect of the proceedings between the Company and ILP allowing ILP's appeal (**HCA Proceedings**).

In the HCA Proceedings the High Court found that ILP was entitled to payment of an early termination fee pursuant to the funding agreement between the Company and ILP which was rescinded by the Company. As a result, ILP is entitled to the early termination fee of AU\$8,381,144.30 plus interest and costs.

The parties have agreed to fully and finally settle all proceedings between them. Following execution of the Settlement Deed, the Company has requested that trading in its securities be resumed with effect from today, 9 November 2012.

The Board considers ILP's agreement to the terms contained in the Settlement Deed to be a strong show of support for the future of the Company and its ability to generate cash from the Kupang Project in the near term.

Kupang Chairman, Mr Ben Elias, said "agreeing to terms with ILP finally allows the Company to move away from the courts and into the field. We'll continue to enforce our judgment secured against Grimaldi, but we can truly say now that our focus is exploration and mining".

Commenting on the Settlement Deed, Kupang Executive Director, Mr Tony Sage, said "the Company is pleased to have agreed to settlement terms with ILP in an expedient manner and looks forward to moving forward with the Company's exploration activities and the proposed near term production from the Kupang Project."

Of the execution of the Settlement Deed between the parties, ILP director, Mr Peter Wright, said, "We are pleased to have reached an agreement with Kupang."

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The terms of the settlement with ILP are set out below.

- (a) The Company to pay ILP (or nominee):
 - (i) AU\$5,041,000 within 2 days of execution of the Settlement Deed; and
 - (ii) AU\$5,500,000 plus interest (9.5% pa), to be paid in instalments (**Instalment Payments**).
- (b) The Company will issue ILP (or nominees) 17,500,000 options to acquire Kupang shares exercisable at AU\$0.10 each on or before 1 November 2014 within seven (7) days of execution of the Settlement Deed.
- (c) The Instalment Payments are to be paid monthly until the principal amount of AU\$5,500,000 (plus interest) (**Outstanding Amount**) is paid in full. The first instalment is payable on the earlier of:
 - (i) 28 February 2013; or
 - (ii) the last day of the month in which the Company receives its first payment of production cash flow from the Kupang Project (less corporate overhead expenses) (**KPR Cash Flow**). Refer to Kupang Project update below.
- (d) The monthly Instalment Payments shall be the greater of AU\$500,000 or the KPR Cash Flow.
- (e) ILP has been granted a security interest over the Company and its assets to secure ILP's entitlement to payment under the Settlement Deed.

Grimaldi Inquiry

As announced on 22 February 2012, the Company was successful in the Federal Court appeal proceedings against Phillip Grimaldi.

Mr Grimaldi subsequently made an application for special leave to appeal to the High Court of Australia pursuant to which he sought leave to appeal from the findings of the Full Federal Court confirming the trial judgment that he was a director, a de facto director or officer of the Company and on that basis was not required to account to the Company for any profits obtained by him as a result of serious breaches of fiduciary duty (**Special Leave Application**).

As announced on 20 August 2012, the High Court of Australia refused the Special Leave Application and Mr Grimaldi was ordered to pay the Company's costs of the application. There is no further right of appeal available to Mr Grimaldi. The Company is seeking recovery of its costs in relation to Mr Grimaldi's unsuccessful Special Leave Application (expected to be in the order of \$30,000) and its further costs of the Full Court appeal and the trial proceedings.

The Company is continuing to progress the inquiry into the account of Mr Grimaldi's profits in the Federal Court before Mr von Doussa AO QC FAAL (**Grimaldi Inquiry**). The purpose of the Grimaldi Inquiry is to establish the value of benefits which Mr Grimaldi and his associates or nominees derived by reason of his breaches of fiduciary duty.

The Company has issued subpoenas, analysed documents produced on subpoena and prepared a detailed analysis to assist in prosecuting the Grimaldi Inquiry. That analysis has identified a significant number of transactions of substantial value.

Kupang Project Update

The Company has a 55% interest in a significant manganese project located in (Kupang) West Timor (**Kupang Project**) (Refer to Figure 1). The Company's interest in the Kupang Project is held via an incorporated joint venture structure (**Kupang Joint Venture**).

The Kupang Joint Venture is in the advanced stage of securing a bulk export licence and anticipates this process to be finalised and the licence granted shortly.

Following the grant of the licence, the Kupang Joint Venture will be set to take advantage of its unique position as the holder of a bulk export licence, access to a deep water port and bulk ship loading and processing facility and anticipated near term delivery of cash flow from third party supply of manganese ore.

A bulk sample sizing and multi analysis on a representative sample from the Kupang Project collected under independent geological control has been received. The results of this analysis are pending and the Company will release those result once available.

It is expected that these results will confirm the widely held belief in the manganese industry that Kupang region contains some of the cleanest and highest grade manganese available anywhere in the world.

To enable the manganese concentrate to be produced from the Kupang Project, the Kupang Joint Venture is in the process of procuring a processing facility to concentrate crush and size and concentrate the ore into a valuable smelter feed for the ferro and silico manganese industry. It is anticipated that this concentrate will end up in high end refined steel products feeding the growth in Asia.

The opportunity of the Kupang Joint Venture to benefit from the established local relationships with key local Kupang people ensures a win-win outcome for both the Company, its shareholders and partners on the island and importantly provides employment and establishes a much needed industrial base on the island.

The longer term plan of the Kupang Joint Venture is to establish a JORC resource leading into a contemporary mining operation with large scale truck and shovel equipment feeding a suitably sized process plant delivering a high grade MnO_2 concentrate. The joint venture parties consider this process will be relatively low cost given the close location of the Kupang Project to market and nearby and well-established infrastructure which makes this an extremely compelling story.

The Company is also in the process of negotiating the acquisition of further land in in the Kupang District in Indonesia. Further details of the acquisition will be released once finalised.



Figure 1: Location of Kupang Project and Local Infrastructure

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FOR FURTHER INFORMATION, PLEASE CONTACT:

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