First Quantum to earn into Kaoko Project

Highlights:

- First Quantum Minerals Ltd (FQM) to earn into KNE’s Kaoko Project
  - Minimum expenditure of US$2m by July 2015
  - Option to spend further US$5m (total US$7m) for 51%\(^{(1)}\) by June 2017
  - Option to sole fund through to decision to mine for 80%\(^{(1)}\)
  - A decision to mine must be based on a minimum inferred resource size of 2Mt contained\(^{(2)}\)

- Put/call option, at decision to mine, for FQM to buy KNE’s remaining 20%\(^{(1)}\) for US$0.04 per pound of contained copper\(^{(2)}\)
  - KNE retains a 1% NSR royalty on all production beyond resources paid for under the put/call option

- KNE to issue FQM a A$1m convertible loan note
  - KNE has the right to repay by 31 August 2015
  - If the loan is not repaid it will convert at 20 cents per share into 5 million ordinary KNE shares
  - Ensures KNE is funded to beyond the completion of minimum expenditure period

- Kunene Resources Namibia to manage 1\(^{st}\) phase exploration program in conjunction with technical input from FQM

- The investment is subject to 30 days due diligence. KNE to ensure all regulatory approvals obtained in Namibia and Australia, including obtaining KNE shareholder approval.

\(^{(1)}\) percentage ownership of KNE’s 95% interest in the Kaoko Project.
\(^{(2)}\) copper or copper equivalent for by-products or other commodities.
FQM to earn into Kaoko Project, Namibia

Kunene Resources Limited (KNE) is pleased to announce an earn in joint venture with First Quantum Minerals Ltd via its wholly owned subsidiary, FQM Exploration Holdings Ltd (FQM).

FQM is an established and rapidly growing mining and metals company operating seven mines and developing five projects worldwide. They currently produce copper, nickel, gold, zinc and platinum group metals. FQM’s current operations are the Kansanshi copper-gold mine (Zambia), the Guelb Moghrein copper-gold mine (Mauritania), the Las Cruces copper mine (Spain), the Kevitsa nickel-copper-PGE mine (Finnish Lapland), the Pyhäsalmi copper-zinc mine (Finland), the Ravensthorpe nickel-cobalt mine (Australia) and the Çayeli copper-zinc mine (Turkey). In addition FQM are developing projects in Zambia, Peru and Panama that, when complete, will increase their annual copper production capacity to more than 1.3 million tonnes per annum.

The knowledge gained from these mines and development projects has enabled FQM to become one of the world experts in sediment hosted copper which is the primary style of mineralisation present at the Kaoko Project.

Kunene Resources Chairman Phil Werrett commented on the agreement; “First Quantum’s agreement to invest is a tremendous validation of the potential of the Kaoko Project and a tribute to the capability of our team. First Quantum is our partner of choice given their outstanding track record in exploration and development combined with a strong financial position.”

Main commercial terms of the earn-in are:

- Minimum committed expenditure of US$2m by 31 July 2015
  - Including minimum of 2000m of reconnaissance drilling
  - Minimum of US$500,000 must be spent within 6 months of signing formal documentation
  - Minimum expenditure does not earn equity.
  - FQM will be entitled to register a fixed charge over KNE’s shares in the holding company of the joint venture company to protect their rights arising from this agreement.

- After initial US$2m spend, FQM have right to spend further US$5m (total US$7m) by 14 June 2017 to earn 51% of Kunene’s 95% share of the Project

- Post 51% FQM to sole fund through to a decision to mine. At decision to mine FQM will earn 80% of Kunene’s 95% share of the Kaoko Project
  - During this phase FQM must spend a minimum of US$2m per year
  - To qualify for 80% earn-in, FQM must make a public announcement regarding a decision to mine on the Project area and it must qualify for FQM’s development threshold of 2Mt of contained copper or copper equivalent.
• At decision to mine, Kunene will have a put option and FQM a call option, for FQM to buy Kunene’s remaining 20% for US$0.04 per pound of copper or copper equivalent as disclosed in the relevant NI 43-101 report supporting that decision.
  ➢ If put/call exercised, Kunene will have a retained net smelter return royalty of 1% on all production beyond the resource size FQM has paid for under the put/call option.

• FQM to subscribe for a A$1m convertible loan note which Kunene has the right to repay on or before 31 August 2015, if the loan is not repaid it will convert at 20 cents per share into 5 million ordinary shares in Kunene
  ➢ Interest for the loan will be paid through the issue of 5 million options. These options will be of the existing class of listed KNEO options; 25c options that expire on 7 August 2015.
  ➢ The loan is to drawn down 5 days post approval of the transaction by Kunene’s shareholders.

• KNE’s Namibian operating company, Kunene Resources Namibia (KNR), in conjunction FQM, will manage the 1st phase exploration program with our Namibian team to continue in their current roles.

• Both parties will have the first right of refusal to purchase the other party’s equity in the Project at any time.

• FQM can hand back any or all licenses at any time after the minimum expenditure if they determine that the project is not likely to meet their minimum development target of 2Mt of contained copper or copper equivalent.

The parties have signed a legally binding heads of agreement that is conditional on FQM completing legal due diligence within 30 days. KNE is also required to obtain KNE shareholder approval and all regulatory approvals in Namibia and Australia. It is intended to have a Notice of Meeting dispatched to shareholders in the coming weeks.

For further enquiries please contact:

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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.

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

Kaoko Project highlights:

- 95% owned by Kunene Resources (5% owned by influential local partner, The Namibian Former Robben Island Political Prisoners Trust)
- seven exploration licences, total area of 3,478km$^2$
- 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.